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THE LEAGUE'S BUSINESS

Secretary away on Leave of Absence.—The secretary is at present away on leave of absence assisting General Pershing in the capacity of technical adviser in the Tacna-Arica arbitration between Chile and Peru. During his absence A. E. Buck of New York will be in charge of the REVIEW and G. R. Howe, assistant secretary, will be in command of other activities.

✻

Results of City Manager Campaigns.—The Schenectady campaign for the adoption of optional Plan "C" (the city manager plan) failed at the election. The republican organization was bitter in its opposition and by a ruling of the board of education the schools were closed to debates on the subject. All possible pressure was brought to prevent meetings in other places and the voters had small opportunity to become informed or interested. The League was an active co-operator in the campaign, our field agent, Walter J. Millard, being on the ground for two weeks prior to the election.

In spite of energetic efforts headed by the Chamber of Commerce, the city charter proposed for Naugatuck, Conn., was defeated. The campaign was featured by a considerable misunderstanding of what the city manager plan is and what it is intended to do.

✻

Co-operation with India.—We have just sent a complete file of League publications to the Bureau of Information, Gujranwala (Punjab), India. India seems to be stirring along local government lines as witnessed in the Survey of the Municipality of Bombay, reviewed by Lent D. Upson elsewhere in this issue.

✻

Headquarters for Pittsburgh Meeting.—Headquarters will be at the William Penn Hotel, where registration booth will be located and most of the sessions held. The hotel is Pittsburgh's newest and best and the rates, compared with those of others in the city, are reasonable. Single rooms are $4.00 per day and up. Double rooms are $7.50 per day and up. The management will give particular consideration to those making reservations who state that they are coming to attend our meeting.

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LONDON'S METROPOLITAN GOVERNMENT

THE REPORT OF THE ROYAL COMMISSION

BY JOSEPH A. COHEN

Bureau of Municipal Research, Harvard University

The problem which London faces is similar to that confronting metropolitan areas in the United States. Mr. Cohen, who is now in England, describes the work of the Royal Commission on the Government of London. :: :: :: :: :: :: :: ::

IN October, 1921, the Royal Commission on the Local Government of Greater London was appointed to "inquire and report what, if any, alterations are needed in the local government of the administrative County of London and the surrounding districts, with a view to securing greater efficiency and economy in the administration of local government services and to reducing any inequalities which may exist in the distribution of local burdens as between different parts of the whole area."[1]

The historical fact that led to the appointment of the Commission is that London has outgrown its administrative boundaries; that is, the County of London, which contains the nucleus of the London area, no longer contains all of "London." And although local government services have been centralized as much as it has been thought desirable in the hands of the London County Council, it is at present being asked, apart from the question as to the completeness or the incompleteness of the list of functions to which this measure of centralization applies, whether in view of present circumstances the limits of this region so consolidated should not be opened to correction. No important change in boundaries has been consummated since 1855. It is true that the present London County Council was not created until 1888, but the area adopted in that year as the subject of their jurisdiction was nothing other than the territory until then under the administration of the old Metropolitan Board of Works. And as a result of occurrences since, a municipal boundary that in 1855 passed through rural

[1] *Report of Royal Commission on London Government*, Cmd. 1830 of 1923 (*Parliamentary Publications*), p. ix. This publication will hereafter be referred to as *Report*.

districts everywhere, to-day intersects highly urbanized settlements at all but one or two points.

The County of London, as thus delimited, extends over 117 square miles and embraces nearly four and one-half millions of people. "Greater London," the term applied to the combination of the Metropolitan Police District, which consists of the County and territory beyond, and the City Police District, has an extent of 693 square miles and a population of nearly seven and one-half millions. More noteworthy are the census figures that trace the movement of which this is the result. The figures are:[1]

POPULATION OF GREATER LONDON

	1851	1901	1911	1921
Inner London (County of London)	2,363,341	4,536,267	4,521,685	4,483,249
Outer London (that part of Greater London outside the County)	317,394	2,045,135	2,729,673	2,992,919
Total	2,680,735	6,581,402	7,251,358	7,476,168

Thus, it is not only true that Outer London has grown up rapidly; it can also be observed that Inner London is full and its population declining. Further, this decrease, far from being confined to one or two portions of the County, obtains in areas that contain one-half of the County's population.[2]

For the government of this huge community, of which even the Metropolitan Police District cannot be said clearly to measure the full extent, the only metropolitan body administering general local government services that has been erected is the London County Council, exercising powers principally in regard to education, housing, main drainage, fire protection, public health, parks and open spaces, and public improvements, within the restricted area of the County; the balance of the services in the County are provided by the City Corporation and the 28 Metropolitan Borough Councils, which go to make up the other branch of the system of dual government that applies in London. Beyond the borders of the administrative County, the structure of local government to be found is the structure applying to all of England and Wales except London and comprising County Councils and County Borough Councils with a separate and independent jurisdiction; and Borough Councils, Urban District Councils, Rural District Councils, and Parish Councils, subordinate to a certain extent and in the exercise of certain powers to the County Councils of the administrative Counties of which they form a part. In conformity with this scheme, therefore, the following Councils exercise authority outside London County but within Greater London: 5 County Councils, 3 County Borough Councils, 8 Borough Councils, 64 Urban District Councils, 12 Rural District Councils, 47 Parish Councils.

In Greater London, then, there are 122 organs of general administration for local government services. In addition, there are the various Boards of Guardians administering the Poor Laws, and certain other special bodies established for specific purposes.

[1] *Royal Commission on London Government, Minutes of Evidence*, Part I, p. 88; hereafter referred to as *Minutes of Evidence*.

[2] *Ibid.*, Part VI, p. 818.

Among these *ad hoc* areas are that of the Metropolitan Police District, dating from 1829 and covering 692 square miles, and that of the Metropolitan Water Board, dating from 1902 and covering 530 square miles,[1] both of which, besides adding to the intricacies of London jurisdictions, illustrate to what extent the true London area as regards the particular services to which they are related swallows the administrative County of 117 square miles. And the London and Home Counties Electricity District which the Electricity Commissioners for Great Britain are at present strenuously engaged in attempting to create envisages an area extending over 4,758 square miles and housing nine million people.[2]

From the situation as thus far portrayed, it can readily be seen that an inquiry into the degree of suitableness of the obtaining distribution of functions between the two sets of local authorities at present exercising the powers within the County of London would be merely subsidiary to the main purpose of the Royal Commission, which can be seen to be a judgment as to the need of altering the present status by way of establishing an organic relationship between the authorities within the county and those without. The bodies principally affected by any alteration would be the County Councils and the County Borough Councils; the structural position of the smaller local authorities in any new scheme of local administration would not, relatively, be much different.

The complex and decentralized state of affairs described not unnaturally encourages the thought that, in the absence of especially powerful reasons for maintaining the *status quo*, the organization of local government in the London area, of which the component parts are bound together not merely by geographical propinquity but also by all the commercial, social, and other ties by which the improved means of transport and communication of to-day make it possible for the members of a huge community to be bound, is not the best organization adapted to secure freedom from unnecessary multiplication of administrative bodies and officials, to produce uniformity of policy where uniformity is both desirable and feasible, and to unite the execution of local services over wide areas where such united action is possible with economy and efficiency. Therefore, as a result largely of the insistence of the London County Council, which was but the culmination of a series of suggestions beginning as far back as 1905 with the proposals of the Fabian Society,[3] the Royal Commission was appointed.

The Commission collected 1,056 pages of evidence from the local authorities and *ad hoc* bodies in the London area, and from associations, parties, and others interested in or concerned with London government. In March, 1923, the Commission issued 207 pages of reports.

As is suggested by the terms of the Royal Warrant reproduced above, the problems calling for inquiry may be said to be two: (1) the problem of administration, and (2) the problem of inequality in the distribution of local burdens.

[1] *Minutes of Evidence*, Part I, p. 16.

[2] *Ibid.*, Part I, p. 22.

[3] *The Times* (London), March 29, 1923, p. 8, col. b.

I. THE CONDITIONS CALLING FOR THE INQUIRY

A. ADMINISTRATION

In presenting their evidence as to the problem of administration, the representatives of the London County Council attempted to prove the case for a rearrangement by arguing, first, that in a large number of instances the Council had already been constrained in the course of their work to override existing boundaries.[1] There have been negotiated by the Council with local authorities outside the County arrangements (some purely voluntary in character, others calling into play provisions of existing statutes) under the terms of which either the Council alone or the Council in conjunction with the other authorities are allowed to administer certain services outside the limits of the County. Such arrangements have been executed in respect to the functions indicated by the following titles: allotments and small holdings, fire protection, parks and open spaces, main drainage, treatment of venereal diseases, tramway services, and housing.

In the second place, the Council declared, there were certain departments of administration in the management of which they were encountering continuing and very considerable difficulties because of the present geographical limits attaching to their jurisdiction.

In regard to education, the adjustment of payments to be made by local authorities or parents for extra-London students enrolled in London institutions is proving troublesome, as also is the preference of London employers for youths coming from outside the County and therefore unaffected by the County Council regulations providing compulsory continuation schools.

The acquisition and development of large housing estates outside the County by the Council promotes inequality in the distribution of local burdens, because local authorities in whose areas land is selected by the Council for building to relieve the housing shortage in London have thereby imposed upon them the obligation of supplying for the benefit of the tenants of the new dwellings all the various local government services. The fact that leads local authorities to object severely to this practice as being highly discriminatory and that at the same time justifies them in so objecting is that the additional revenue gained to the local authorities by the increments to their assessable values resulting from the construction of these low priced houses is not sufficient to pay for the outlay necessitated. The local authorities find the provision of educational facilities to be the greatest burden. The Council further explained that the joint responsibility in regard to housing the present statutory provisions impose is not recognized in practice.

The situation in regard to electricity supply is especially chaotic, there being something like 85 separate electricity supply undertakings in the proposed London and Home Counties Electricity District. This feature, however, is meeting with separate treatment at the hands of the Electricity Commissioners and was therefore excluded from further consideration by the Royal Commission. But the Council did draw attention to the contribution afforded to the present delay in effecting final arrangements by the large number of regulating authorities at present existing.

[1] The statements immediately following and other statements in this paper relating to the practical operation of London government are based upon information to be found in the *Report* and *Minutes of Evidence*.

As to wholesale markets, it was objected that, in view of the lack of a central authority, safeguards are insufficient to insure that the needs of the community as a whole shall be attended to.

In respect to transport, it was argued that the serious congestion of London traffic, the financial difficulties of the transport undertakings, and the inadequacy of passenger transport facilities may all be traced to the lack of a central traffic authority.

B. INEQUALITY IN THE DISTRIBUTION OF LOCAL BURDENS

The considerations aforementioned are not the only important ones, nor, some would say, the most important, strengthening the case for a reformation of London government.

The interests of the inhabitants of the expanded London area are much in common; the community is essentially a single one in spite of the boundaries dividing it. It is becoming increasingly true of increasing numbers of persons that Inner London is their workshop and Outer London their home. The new form of the census of 1921[1] contains statistics that prove this concentration of Londoners in the center during working hours and their dispersal through all of Greater London at other times.

But the separate governmental existence of the constituents of the London area produces in its wake a distribution of local burdens that operates unequally, the community of interests possessed by these constituents to the contrary notwithstanding. Thus in 1920–1921, rates within the County varied from 10 shillings in the pound *per annum* in the most fortunate borough to more than double that amount in the least; in the local government areas without the County, from less than 10 shillings to more than 25 shillings.[2]

The explanation of this state of affairs is that although local government expenditure in the London areas varies directly with population, rateable value does not. The population in the metropolitan region has tended in frequent instances to segregate, the rich in certain local government districts, the poor in others. As a consequence, there are great variations in the amounts of assessable values possessed by the separately acting Local Authorities for rating purposes, and therefore great variations in the amounts of rates levied to meet expenditure, which is in a large degree independent of assessable values.

The rates within the County are less irregular than those without, because something like 70 per cent of the expenditure from rates inside London is equalized. For not only is some equalization effected automatically by the existing centralization of services under the London County Council, which thereby becomes for the purposes of those services the common rating authority over all the County, but there have been in operation the Metropolitan Common Poor Fund, since 1867, and the Equalization Fund, since 1894, which have a similar, albeit less quantitative, effect. The principles governing the working of these funds are contribution according to capacity and apportionment according to need.

II. PROPOSALS LAID BEFORE THE COMMISSION

As a solution of the problem of administration, the London County Council suggested the erection of a directly elected Central Authority, to exercise jurisdiction over an area not smaller than the Metropolitan Police

[1] Cf. *Report*, p. 52.

[2] *Report*, p. 83.

District nor larger than the London and Home Counties Electricity District, a reasonable margin for development to be included therein as well as all the continuously built up portion.

The constitution of this body as proposed does not differ from the generally accepted English standards. Interesting particulars are that some members of the Council stated themselves as opposed to the continuance of the practice of co-opting a group of aldermen and that no opposition was expressed to an experiment with proportional representation.

The type of government was to continue dual, and no important alterations were suggested in the constitution of the local authorities in the new scheme. In respect to their area, however, it was advocated that some of the local government divisions both within and without the County could profitably be united.

The contemplated distribution of functions between the local authorities and the central authority is summarized as follows:[1]

The London County Council Plan did not envisage a centralization of services so complete as to make unnecessary the continued utilization of some equalizing agency to affect the incidence of local burdens. They argued that the calculation of the measure of assistance granted the local authorities should be based upon the amount of local expenditure, the maximum contribution to be no more than a 50 per cent grant and the central authority to retain the privilege of disallowing any outlay judged by them to be unreasonable. The reasons for the two regulating provisions are obvious.

The proposals put forward by the witnesses succeeding the London County Council in the main took the following forms:

(1) Proposals for the special administration of transport, town planning, housing, and some urged the inclusion of main drainage in this list, by a special body exercising jurisdiction over a wide area. Opinion differed as to (a) whether this body should con-

Services Not Administered by the London County Council To Be Administered by the Central Authority		Services Administered by the London County Council To Be Administered by the Central Authority		
(a) Wholly	(b) Subject to delegation or assignment of powers to Local Authorities	(a) Wholly	(b) Subject to delegation or assignment of powers to Local Authorities on the lines prevailing between the London County Council and the Metropolitan Borough Councils	(c) Subject to delegation of powers to Local Authorities to an extent greater than under (b)
Water supply Wholesale markets Transport	Roads Poor Law	Fire protection Town planning (preparation of general plan)	Housing Drainage Parks and open spaces	Public health Education Building acts administration

[1] *Report*, p. 17.

sist of a small number of appointed experts, (b) whether it should be a representative and indirectly elected joint committee, (c) whether it should have statutory powers of compulsion over the local authorities related to it.

(2) Proposals for a general central authority, either chosen from elected bodies or itself directly elected over a wide area. The types of authority suggested were substantially three: (a) a central authority with relatively few functions, local authorities to remain as they are at present, (b) a central authority with few functions, local authorities to be larger than they are at present, (c) a central authority with many functions, local authorities to remain as they are at present but to receive, as a compensatory measure, increased functions by way of delegation from the central authority.[1]

Differing schemes of equalization were also presented. The various methods suggested for apportioning a fund produced by a common rate were distribution to all local authorities up to the amount of the fair average cost of local government services ascertained for the whole area, payment in proportion to the extent to which the rateable value per head of population in any area falls below the average rateable value per head as ascertained over the area of the central authority as a whole, grants in conformity with the decisions of the Ministry of Health auditor, assistance not exceeding in amount a standard of expenditure appropriate to the requirements of each service provided by each local authority, apportionment of sums not exceeding .75 per cent of the whole cost of certain specified services and calculated on the basis of certain specified standards varying with each service.

[1] Much interesting information relative to the estimates held by English Local Authorities of the various types of administrative agencies is imbedded in the *Minutes of Evidence.*

(*To be concluded in the next issue.*)

BANK AND CORPORATION TAXES IN MASSACHUSETTS

BY HENRY F. LONG

Commissioner of Corporations and Taxation of Massachusetts

Under the present federal statute (Sec. 5219) authorizing the states to tax national banks, the states are given three optional methods of bank taxation. Under the second of these options, which Massachusetts has chosen, a tax may be laid on the "net income" of national banks at the same rate assessed upon other financial corporations provided such rate shall not be higher than the highest of the rates assessed upon mercantile, manufacturing and business corporations. When this option is taken advantage of by a state the question is raised, how shall net income be defined and what rate is to be applied? The banks and the mercantile, manufacturing and business corporations must be treated alike so that there are many difficulties in the way of legislative and tax authorities. The following statement by the Massachusetts commissioner of corporations and taxation throws a great deal of light on the decision which was reached at the recent session of the Massachusetts General Court. :: :: :: :: :: :: :: ::

MASSACHUSETTS lays on foreign and domestic business corporations an excise measured by income and by corporate excess. For convenience Massachusetts allows the filing of a copy of the Federal income return to which income certain forms of income are added and from which certain forms of income are deducted. So much of the income of the corporation as can be fairly allocated to Massachusetts is taxed at 2½ per cent. The corporate excess is taxed at $5 on a thousand. The process being to find the value of all the shares constituting the capital stock, and deducting therefrom the real estate and machinery used in the conduct of the business and valued for taxation locally. These two measures combined constitute the excise tax which is laid alike upon foreign and domestic business corporations.

THE GENTLEMEN'S AGREEMENT

The national banks prior to the decision of the United States supreme court (256 U. S. 635) paid no direct tax other than on real estate, but paid on behalf of the shareholders a tax on the value of the shares at the local rate on the property tax basis. Beginning January 1, 1917, an individual income tax law was put into operation in Massachusetts. With this law in force and under the decision of the United States supreme court, it was clear that national banks were being taxed more than other moneyed capital, and as a result the legislature of 1923 settled all legal claims which the national banks had against the cities and towns who had exacted what appeared to be an illegal tax on their shareholders, and in addition enacted a law which was nothing more nor less than a "gentlemen's agreement." This provided that the national banks would pay to the commonwealth of Massachusetts twelve and one-half per cent on substantially the same net income as was returned to the federal government with additions and substractions. There was

left, however, to them the choice of being taxed thus or the tax as formerly being laid upon their shares. Of course many of them holding real estate in large amounts which was deductible from the value of all the shares constituting the capital stock chose to be taxed locally because this resulted in a lesser tax.

The Massachusetts trust companies, being direct competitors with national banks, were given exactly this same election, so that we faced the session of 1925 with the national banks and trust companies operating under a "gentlemen's agreement" and not under an enforceable law, they electing to be taxed in the manner which would bring to them the lesser charge. It was recognized by all that the national banks could successfully resist paying any taxes whatsoever under this "gentlemen's agreement."

A special commission sat during the recess of 1924 and recommended a tax on national banks and trust companies at the same rate as was laid upon other financial corporations. This rate was estimated to be approximately five and one-half per cent, arrived at of course, by taking the total net income of these financial corporations and dividing it into the tax paid. The commission felt that this percentage was so small that in order to have a respectable tax from the national banks, there should be added to the net income as returned to the federal government the income that was derived from tax-exempt securities.

It was felt in the general court that this law would be unconstitutional if business corporations were not also obliged to pay on their income from what were before considered to be tax-exempt securities. The bill was reported without the provision for taxing tax-exempts. During the last days of the session so much uncertainty had arisen that the suggestion was made that a recess committee sit again in 1925 and give further consideration to this problem. This course was apparently not acceptable, and there were rumors that the national banks would refuse to go forward in 1925 on the "gentlemen's agreement." This of course would throw the finances of Massachusetts and its cities and towns into a great deal of confusion.

MUNICIPAL INCOMES INVOLVED

The entire proceeds of the tax from the national banks and trust companies as is represented by the ownership of shares held in Massachusetts, is distributed to the town or city where the stockholder has his legal residence. The problem was really one of the finances of the cities and towns and was a serious one. In order to prevent the matter going over for another year, and in order to get a larger tax from the national banks, it was suggested after a conference, which included the governor and legislative leaders, that the revenue to be obtained should be increased under the new law by including income from tax-exempt securities in the income upon which the foreign and domestic business corporations were to pay.

In 1921 and 1922, while the old law was in operation, the tax paid by the national banks for the shareholders was approximately $2,800,000, $2,000,000 of which went to the cities and towns and $800,000 going to the commonwealth treasury, as the owners of that proportion of the shares were not legal residents in any town or city in Massachusetts. In 1924 under the "gentlemen's agreement" the total national bank taxes paid had shrunk to approximately $600,000.

It was clear that if a permanent law was going to be put upon our statute books, the one proposed was the only one that could legally be enacted in

accordance with the provisions of Sec. 5219 of the United States Revised Statutes, the congressional act enabling states to tax national banking associations. It was felt that the inclusion of the tax-exempt revenue in the national banks income would give a tax from that source of approximately $600,000, but to exclude it would reduce the return to about $400,000.

The cities and towns get five-sixths of the entire proceeds from the tax on foreign and domestic business corporations. It was thought that in order to make the national bank tax legal the inclusion of the income from tax-exempt securities in the income taxable to the business corporations would but slightly increase the amount to be received in this form of taxes, and would not be sufficient in amount to reflect much of an increase in the rate which was to be applied to the national banks.

PROPOSAL TO RAISE RATES ALL AROUND

The chairman of the House ways and means committee offered an amendment to the national bank tax bill which would increase the income tax measure of the excise from two and one-half per cent to three per cent. This of course would accomplish two things: First, it would increase the amount of tax paid by the business corporations, and because the national banks and trust companies were going to be taxed at the same rate as other financial or business corporations, the rate would be increased which was to be applied to the income of the national banks. In addition, because the corporations of Massachusetts show an average income of approximately $275,000,000 a year, the one-half of one per cent additional on their income being distributed in the proportion of five-sixths to the cities and towns would give back to the towns the little over $2,000,000 which they lost as a result of the national bank tax decision of the United States supreme court (256 U. S. 635).

A hearing was held on this proposal and the business corporations opposed it, largely on the ground that they had not had sufficient time to present their arguments against any such proposal although they probably were just as much opposed to an increase in the rate.

Prior to January 1, 1920, our foreign and domestic business corporations had been taxed on the value of their shares at the state rate which last year was $27.70 on a thousand. This was becoming too hard for them and as a result of a special recess committee of 1918 the 1919 general court passed a law operative January 1, 1920, which laid the excise on the "net income" of two and one-half per cent and on the corporate excess of five dollars a thousand, having the total take the place of the old tax at the average state rate. This has been advantageous to the corporations and to the commonwealth as well because there has been a steady increase in the revenue from this source. The corporations, however, did not look with favor upon a change in these rates as they were fearful that it would affect them in their competition with business in other states.

The case now stands that the law was passed taxing national banks and trust companies on their net income which shall include not only that returned to the Federal government but all income from whatever source derived, with the exception of dividends from shares of Massachusetts corporation and dividends in liquidation of capital, and with the same provision applying to foreign and domestic business corporations insofar as their net income is determinable. This law does not become operative until January 1, 1926, and before a rate is set the Commis-

sioner of Corporations and Taxation must give a hearing to the banks, and an appeal from his decision as to the rate can be had to the Board of Appeal, a board set up by our statutes.

Of course the trust companies have gone along in the act with the national banks because the trust companies, being the creatures of the Commonwealth, should be treated as well as the national banks so as not to encourage them to take out national bank charters.

CINCINNATI'S COMPREHENSIVE CITY PLAN

BY GEORGE B. FORD

Vice President, Technical Advisory Corporation of New York

Cincinnati is the first city in the country to adopt officially a comprehensive city plan. :: :: :: :: :: :: :: ::

A COMPREHENSIVE plan for Cincinnati and vicinity, including everything that has to do with the physical development of the city has now been officially adopted and promulgated by the City Planning Commission of that city.

Both the city charter and the state city planning statute provide for the official adoption of a city plan, and when so officially adopted they give to the city plan a legal status and force which is much more than merely advisory. According to both of these, no departure can be made from the plan in the location, size and character of any public building or tract or in the location or layout of any public utility or public service feature or in the development of any means of circulation or of any street, unless the proposed departure be first submitted to the city planning commission and approved by it, or, in case of its disapproval, unless the proposed departure receive the approval of two-thirds of the full membership of the city council after a public hearing. According to the state law, if the planning commission disapproves of the departure, then, in addition to the approval of two-thirds of the council, the departure must also have the approval of the department head affected. This gives a double stability; because the director of public service, who, in most cases, will be the department head affected, is ex-officio a member of the city planning commission and interested in upholding the integrity of the plan.

The city planning commission consists of the mayor as chairman and the chairman of the park board as vice-chairman. The other five members are the director of public service, the other two members of the park board and two others appointed by the mayor, for terms of seven years each. Two of the members are prominent lawyers, three of them are large manufacturers and one of them is a doctor who was formerly mayor. They have all been active for many years in civic affairs.

Such authority in the city plan is the goal toward which cities have been striving all over the country. Nothing that Cincinnati or any other city has ever done, has the possibilities of meaning so much to the city of the future as the creation and putting into active effect of a comprehensive, thoroughly worked out plan for the future development of the city. It means now that the city can and should grow in an orderly way.

LOOKING AHEAD FIFTY YEARS

The plan in every part looks fifty years ahead, and every feature of it has been calculated to serve amply the probable city of fifty years hence.

Obviously it is not intended that the plan should be carried out immediately. On the contrary, its execution is spread over a period of fifty years, so that only the then most urgent matters will be undertaken during any five year period. In fact, a date of execution is fixed for every one of the many thousand items of the plan.

The program for executing the plan has been so worked out as to bring no unnecessary or unusual burden on the taxpayer, and so that the cost can be distributed fairly and evenly over a period of fifty years, with no more than a normal proportion of it payable in any one year.

Furthermore, a great deal of attention is devoted in the plan to methods of financing improvements which should reduce the portion of the cost that would normally be borne by the general taxpayer; for example, detailed studies are made for increasing the use of local benefit assessments, excess condemnation, building lines, control of building in mapped streets, annual reappraisal of property, etc.

The printed plan, which has just come off the press, is a document of about 125,000 words, with numerous maps, plans, charts, diagrams, tables and illustrations. All of the specific proposals of the plan stand out in bold face type, wherever they occur in the text. Most of the data and its analysis on which the plan is based, is presented in detail, so that the reader may see the process of reasoning by which the conclusions of the plan were reached. Every attempt has been made to make the plan convincing in itself.

LEGAL PHASES

Under the Ohio planning law, the plan extends throughout the metropolitan area tributary to Cincinnati, which includes roughly, the whole of Hamilton county and the nearby parts of several counties in Kentucky, across the river. Of course, an Ohio city planning commission has no jurisdiction in Kentucky. However, under the law, it can control the layout of subdivisions in Ohio within three miles of the city limits, provided the subdivision does not lie within any other incorporated area that has a city planning commission. The law also provides that before the city can exercise this control, it must prepare a Thoroughfare, Park and Public Open Ground Map for the city and for the area at least three miles outside, and it must finally adopt this map. Therefore, in practice, the city of Cincinnati now controls the distribution, location and layout of thoroughfares, parks, public reservations and open areas of all sorts for three miles outside the city, as well as within it, except in other incorporated municipalities.

In order to control these matters properly, it has been necessary for the city to go even further and actually to lay out and actually determine on the official map, such changes as should be made in railroad location and also new connections or belt lines between rail-

roads and new traction lines, or extensions of existing ones, and even new or extended bus lines.

While the exact extra-mural power of the city has not been determined, and while it cannot force the county or an unincorporated town to carry out any specific public improvements, nevertheless it is assumed that within the three mile limit, the official Cincinnati plan governs, and that the county or any unincorporated town cannot depart from it, without the approval of the Cincinnati city planning commission.

ZONING

The city plan not only includes the above matters, but also comprehensive zoning, which went into effect April 1, 1924. Since that time, there have been about 9,000 applications for building permits, among which only about 250 have been refused for not complying with the zoning ordinance. About 200 of these applications have been appealed to the zoning board of appeals for relief. About two-thirds of these appeals have been granted by the zoning board of appeals, usually under such conditions as would safeguard the neighbors; and one-third have been denied. The board has been unanimous in every decision.

So far there have been no amendments to the text and only two minor amendments to the map. However, it is proposed to adopt a number of amendments to the text in the near future, principally to incorporate in the text of the Ordinance itself, the policies or rulings which the building commissioner has found, in practice, desirable to maintain.

Only two cases have gone to the courts and in both of these the courts have strongly upheld the zoning ordinance; in fact, in its recent decision on the Messer case in Cincinnati, the supreme court of Ohio stated categorically that comprehensive zoning of the Cincinnati type was a proper exercise of the police power.

The plan also includes a further detailed consideration of the areas within and without the city that are best suited to each of a number of typical kinds of housing, and it lays out typical subdivisions.

TRANSPORTATION

The whole railroad program is considered in great detail, and specific recommendations are made for rerouting through-freight around, instead of through, Cincinnati, and for the location of a union passenger station and yards.

Street car and bus extension is treated with a view to meeting future growth. A detailed scheme for the rerouting of traction lines and the handling of bus lines in the downtown district is worked out in conjunction with a complete new plan for traffic regulation in the congested parts of the city. The proposals of the plan in this regard have been accepted in principle by the traction company.

The development of the Ohio waterfront for commercial use and for recreation use, the creation of barge canals and development of river basins for industrial use, the reclamation of the waterfront during flood periods by means of dykes and levees, have all been considered in great detail in the plan.

All of these matters, in fact, every item of the plan is considered, not for or by itself, but always in relation to the rest of the plan.

Parks, playgrounds, schools, fire engine houses and other public properties and structures, even aviation fields, are developed in great detail in a series of chapters. For each a program of execution and development is a feature of the plan. The effect of parochial

and private schools and the effect of private and commercial recreation has been considered in detail in every part of the city.

Civic and cultural centers and the improvement of the appearance of the city streets, and in fact the aspect and personality of the city in general, are dealt with throughout a series of chapters always as an integral part of the plan, not as an independent study. Even street fittings, fixtures, billboards, signs, wires and poles, news stands, hydrants, fire alarm boxes and lighting fixtures are discussed as a part of the plan.

The official plan is not the work of any one, or even two or three individuals. It is actually the work not only of all of the members of the City Planning Commission who have devoted a great deal of personal time to this proposition, but it is also the result of innumerable conferences with all of the city departments, public utilities and other groups affected by the Plan.

Furthermore, it is a citizens' plan. Over $125,000 have been raised by popular subscriptions, mostly through the Community Chest, by the United City Planning Committee. This citizens' committee, under the inspiring leadership of Alfred Bettman, is composed of representatives of some thirty civic organizations of Cincinnati. One and all, they have given their most active aid and support in the preparation of the plan.

The plan itself is a practicable plan, capable of execution in every part. It is not a dream, but something which can, and certainly should, be realized. It is made in the interest of every one, not for the favored few. It is a plan that the citizens generally can rally behind, as its execution is bound to make Cincinnati a much more convenient, delightful and effective place to live and work in.

MUNICIPAL PROGRESS UNDER MANAGER GOVERNMENT

II. DURHAM GETS MORE AND BETTER SERVICE

BY WYATT T. DIXON

Continuing our series of articles on physical betterments in manager cities.

"Durham renowned the world around" is the slogan which for many months was flashed through the darkness of night from one of the city's downtown buildings. The slogan was adopted many years ago. Since that time Durham has grown in ways other than manufacturing. The physical development is a source of wonder to the uninitiated. Old landmarks have, with but few exceptions, given way to the march of time with new and modern buildings being erected. Macadam and brick paved streets have given way to modern hard surface streets. Churches costing many hundreds of thousands of dollars have been and are still being erected. Modern systems

for handling the various phases of city work have been installed and today the city is attracting the attention of the entire state, due, to a large degree, to the accomplishments during the past four years which were made through the council-managerial form of government which was voted in by the city in lieu of the old aldermanic form.

Durham came into nation-wide prominence recently through the gift of James B. Duke to Trinity College, now Duke University. Deeds have been transferred to the university for between five and six thousand acres of land which was purchased at a cost considerably in excess of a million dollars. Within a few years time this city will be the home of the largest university in all the southland and one of the largest in the United States.

Although the various events mentioned have had their part in the growth and prosperity of the city, they are but small, in a way, when compared to the progress experienced during the past four years under the council-manager form of government. That the people are pleased and satisfied with the present form was shown a year or two ago when they overwhelmingly defeated the efforts of a group of dissatisfied politicians to defeat the new form and bring the commission form into being. An election was held and the verdict rendered by the people was a decided one.

AREA INCREASED THREEFOLD— POPULATION DOUBLED

Many things have been accomplished during the time the city manager form of government has been in operation here. Through the action of the city fathers, under the present government, the city now has the most complete white way system to be found in the state of North Carolina and one of the best in the South. The entire business district is surrounded by artistic standards and lights, giving the maximum amount of light at a fair cost. Many miles of street have been paved, miles of sewer laid, a $2,000,000 water project is now underway, and many other things which will be touched upon later have been done.

A short time ago, through the will of the people voiced at the polls in a special election, the city limits were extended, making Durham a city of approximately thirteen square miles, whereas for many years it has been less than four square miles. Her population jumped from 22,000 to approximately 40,000. Through this act the problems and work of the city government have been greatly increased. On June 1 the new city began to receive all the city service that it is possible to extend to it. It could not be given it before because of the fact that the old budget would not permit it. The city's fiscal year begins June 1 and the new budget makes ample provision for the extension of the various services to the new sections.

One of the most pleasing accomplishments of the past four years is the street paving program. From June 1, 1921, to May 1, 1925, the total yards of street paving done in the four square miles of old Durham amounted to 252,598, costing the city $941,237.94. The work was paid for on the basis of two-thirds of the cost being borne by the property owners on the streets paved with the remaining third being paid for by the city. The city also paid for the paving of street intersections. This plan will probably be changed, however, when the street paving program is resumed.

During the time the present form of government has been in power sidewalk paving yardage totalled 41,878 square yards, costing $98,449.25.

BETTER SANITATION

The extension of the sewer lines into sections served by dry closets has been given much attention. Through the energetic program carried out many hundreds of dry closets have been eliminated in the old Durham, with the result that there are now only a comparatively few left. In the new sections, however, the city is facing a hard and serious task of extension of the sewer lines. During the past four years, to May 1, the sewer system has been extended 190,303 feet, costing the city $285,137.65.

Recently a new and modern fire station was completed at the cost of $52,000. The building is complete and modern in every way. A complete new fire alarm system, costing $25,000, has been installed, with 39 new boxes being added to the number already in use. Eight thousand feet of cable were laid in installing the system and 12 miles of wire were strung. The new system included a 12-circuit switchboard, a 10-circuit repeater and a tape machine for recording the numbers of alarms. Private telephone connections have been made between all of the fire stations. In the near future the city plans to erect one or two more fire stations.

A long felt need on the part of the city employees was realized during the present form of government through the remodeling of one of the local high school buildings into a modern municipal building. For the property and the work of renovating the building, the city paid $240,000. The building houses the city manager, engineering department, purchasing department, water department, city tax collector's office, city auditor and city clerk, building and plumbing inspector, city electrician and a workshop for the water department. Space in the building is rented at a nominal charge to the city school offices, to the Woman's club, Boy Scouts and to the machine gun company.

WATER PROJECT LOOKS AHEAD FIFTY YEARS

The big water development project now in progress is one of the most important accomplishments of the present form of government. In 1921, during the latter part of the summer and fall, Durham and vicinity was visited by an extremely dry season. The city faced an actual water shortage and drastic measures were taken to conserve the supply which was taken from the rapidly falling streams from which the city can get its water. The plant on Flat River was operated as was the emergency plant located on Eno River. The situation put the city authorities to thinking. Some step must of necessity be taken, they contended, to safeguard the city against a repetition of the drought. The big development now under way was the result. The project is being erected on Flat River. Its total cost, when completed, will approximate $2,000,000. The dam will be 78 feet high and 1,100 feet long at the top, impounding approximately 4,600,000,000 gallons of water. Work on the dam is now progressing in a favorable way, with a small army of men being employed in building it. The dam will cover an area of about 550 acres and will be sufficiently large to care for the needs of the city for 50 years, according to the opinion of the engineer in charge. Of the total amount involved, $500,000 will not be spent at present, but will be used in a few years in replacing the water lines for larger ones. The $1,500,000 will pay for the construction of the dam, the power house which will make electricity at seasons of the year for sale to the local

public utility company at a good price, the acquisition of land and easements necessary to put the project through, the building of the transmission lines and the enlargement of the central station to take care of the probable demands up to 1940. The power house is to be equipped with three 725 horse power water wheels directly attached to 500 kw. generators. Two 300 horse power motor driven centrifugal pumps with a capacity of 7,200,000 gallons each and two water driven centrifugal pumps with like capacity.

Better fire protection has been given the residents of the city through the installation of 71 new fire hydrants in places where they were most needed. With the enlargement of the city, plans must now be made for the extension of the water lines into the new territory in order that fire protection, as well as city water supply for home consumption, might be given. The water department, which was responsible for the installation of the hydrants, has extended its services throughout the old sections of the city, 512 new meters being installed during the past four years with 588 services being given.

June 1 the city took over the garbage and rubbish collection of the new area, meaning that three times as much territory must be covered as before. In anticipation of the service trucks, wagons and other equipment have been purchased and two new incinerators are being erected. They will cost about $75,000.

COMPLAINT DEPARTMENT ESTABLISHED

With the advent of the new form of government was established a complaint department for the purpose of listening to any complaints by citizens regarding service rendered by the various departments. Through the work of this department many complaints have been handled and efforts made to rectify the mistakes alleged to have been made.

Contract has been awarded and work begun on the municipal theatre-auditorium which will cost when completed approximately $250,000. It will give to the people a modern theatre, whereas for the past two years they have had no theatre due to the sale of the old Academy of Music site, for the erection of a hotel. Under the ruling of the state supreme court, the new theatre cannot cost over $250,000, that amount representing the sale price of the old theatre.

Through the successful fight carried on by the city council, aided by citizens and civic organizations, an underpass is now being erected at the Chapel Hill street railroad crossing. For more than a quarter of a century the residents of Durham have been striving to secure relief from the dangerous situation presented by the crossing, which divided the city into two parts. All efforts and pleadings when presented to the railroads fell upon deaf ears. Their patience exhausted, and with the dangers constantly increasing with the continued growth of the city, a suit was instituted against the Southern, Seaboard Air Line and Norfolk & Western railroads, all of which have tracks which pass over this crossing, for the erection of the desired underpass. Winning its fight in the superior court of this county, the city was forced, by the appeal of the roads, to continue its fight through the North Carolina supreme court and also the United States supreme court, with each decision concurring in the decision of the superior court. The railroads are to bear all expenses attendant upon the erection of the structure, with the exception of the work of laying the underground structures and paving which will be done by the city. The underpass will cost thousands of dollars.

PLANNING AND ZONING

Work has begun looking to a better planned city. A careful survey of the enlarged city to map out plans for a city planning and zoning ordinance has been begun. The survey is to cost $12,000 and will require several months time. When completed and when the ordinance is placed into operation, the future growth of Durham will be safeguarded through proper zoning and planning.

Many other things have been accomplished for the city through the city manager form of government, including the adoption of an excellent accounting system which enables the city fathers, and the public at large to ascertain at any time the true status of the city's financial affairs, the creation of assessment districts for the widening and extension of streets, etc.

Much of the praise for the progress of the city and the lasting improvements which have been made during the past four years, is rightfully due to R. W. Rigsby, Durham's first and only city manager. Coming to Durham after the people had voted their choice of the managerial form of government, he took hold of the affairs of the city and through his excellent training and foresight the city has profited much. The accomplishments were not brought about through his work alone, for had it not been for the fact that he was backed by a city council, composed of eight of the city's best known and capable citizens, the results would not have been as far-reaching as they are. These city fathers, having the love of Durham at heart, worked hand in hand with the city manager for the good of the community as a whole.

OHIO BY-PASSES THE SMITH LAW

BY EMMETT L. BENNETT
Cleveland

Ohio is slowly working herself free from the iniquitous Smith one per cent law. :: :: :: :: :: :: :: :: ::

THE Ohio general assembly of 1923 attempted, by means of the Taft act of that year, to repeal the Smith one per cent tax limit law which has vexed the state since 1911, as was recounted in the NATIONAL MUNICIPAL REVIEW of July, 1923. That attempt was frustrated by the defeat of the Taft act at a referendum in November, 1923.

The legislative situation in the general assembly of 1925 was in many respects like that of the previous session. The same Democratic governor had survived the Coolidge landslide, and again found the Republicans holding seats enough in the assembly to override vetoes without difficulty. He again pronounced in his inaugural address in favor of home rule in taxation, details not specified.

The municipalities of Ohio, which contend with the school districts as to which were affected most disastrously by the Smith law, held conferences in Columbus in October, December, and January, at which the

principal item of business was the formulation of a program of tax relief. Honorable Robert A. Taft, who was again to be the guiding force on taxation within the assembly, addressed the conference, presenting a series of proposals touching the same subjects. As it turned out, the two programs coalesced in the features then discussed, and now set forth in this article.

This program did not, as two years before, take the form of a repeal of the Smith law and its replacement. The Smith law is still on the books. The new laws omit some items treated two years ago, and include some matters not thought of the session before. Mr. Taft's name is attached to none of the recently enacted laws, he having been chosen floor leader by the Republicans, and so refraining from the introduction of any bills.

Early in the session there was an attempt to include the Governor in the promotion of the group of "program" tax bills. After the emergency relief bill was passed, however, he gave out an interview condemning certain features of some of the bills, and the *entente cordiale* that had seemed to be possible shrivelled away.

EMERGENCY RELIEF

A great many small school districts and municipalities, and a few larger ones, got so small a return from the 1924 tax levy that there was no possible means of operating through 1925 without new revenues. No one wished a repetition of deficiency borrowing. The alternative was to authorize an additional levy upon the 1924 valuation, to be imposed at the time of collection the second half of the regular levy. There were some who were reluctant to authorize the councils or school boards to make such a levy upon their own responsibility. To require a special election for the purpose would be expensive and not entirely satisfactory. The matter was solved by providing for a majority petition as the basis for such a levy. The bill was so passed and signed, becoming a law as an emergency measure.

DEBT CHARGES

One of the most pernicious features of the old Smith law was its inclusion of taxes for debt within the same limit as operation levies, so that the issuance of additional bonds meant not an additional tax burden, but a diminution of operating revenues. This situation will no longer prevail as to debts incurred by popular vote. The Krueger bill provides instead that the voter by the same mark votes for a levy outside limitations when he votes to issue bonds. As to charges for debt incurred without the vote of the people, the same bill attempts to diminish the seriousness of the invasion of operating revenues by such charges by reducing the amount of such debt which cities may incur from two and one-half per cent to one per cent of the assessed valuation. In the Dodd bill, discussed hereinafter, provision is made for subsequent submission to popular vote, in the case of such debt charges, of the question of placing them outside the tax limitations. Both Krueger and Dodd bills became law without either veto or signature by the Governor.

PUTTING ELASTICITY INTO THE LIMITS

The Dodd bill, to all effects and purposes, set the barrier which had heretofore stood at ten mills forward to fifteen, by providing that cities may levy as much as three and one-half mills between those limits without vote, as had previously been necessary. The same bill extended to all local taxing authorities the privilege of submitting to vote the question of additional levies outside of all tax limits. These additional levies may not run for more than five years without re-authorization,

except for debt charges. But they may be submitted in any amount. Such a levy may be submitted for general operating purposes, as a relief measure. A very promising feature is that such levies may be voted for improvement purposes. This may be the means by which school districts will be able to restore their building programs to a pay-as-you-go basis, and cities their street improvements. The Governor, permitting the bill to become law without his signature, complained that it did not require a majority of all voting at the election to carry the levies proposed.

MINIMUM LEVY FOR MUNICIPAL OPERATION

Under the old law the schools had certain guaranteed minimum levies. The county has control of the commission which distributes the available remainder. The same Dodd bill includes a guarantee of a minimum operation levy of four mills for municipalities, subject only to the priority of school minimum levies and of debt charges. This minimum may seem absurdly small. Cincinnati and some other large cities have had less.

REAPPRAISAL

Notwithstanding the constitutional rule that all property shall be assessed at its true value, more than half of the counties have had no reappraisal of real estate for from ten to fifteen years. Two years ago a law was passed, and failed, requiring reappraisals. Again such a law is passed, requiring sextennial reappraisals. It was vetoed and passed again.

HOME RULE ON SUFFERANCE

The most fundamental item on the program was the Tallentire bill. It was not the most immediate. And it was accepted with considerable reluctance by a group in the assembly who still cling to their faith in the Smith law. The bill applies only to cities and villages which have or adopt home rule charters. Such municipalities may, by virtue of writing a budget system and a limitation or limitations into their charters, be exempted from all the Smith law limitations and their attendant complications. One old section applying a ten mill maximum for municipal operating levies remains, but its limit is so high as to mean nothing. It is older than the Smith law, dating to an era when assessments were upon a much lower basis than today, and was left to satisfy a possible requirement of an antique section of the constitution.

The Governor vetoed the bill, alleging that it would be possible to amend a charter at a special election, and that it would promote waste by city hall rings. It would appear that the argument works both ways, since an amendment can be initiated at any time to reduce a limit which is unduly high. The veto was not permitted to stand.

This bill is by far the most promising move in Ohio's recent tax legislation. But it by no means cures the grave defect in the home rule provisions of the constitution. A city can have no assurance, once having complied with the act, that a succeeding general assembly will not repeal the act and reimpose limits written at Columbus. The likelihood of such a reversion, however, should diminish with time, and if the Tallentire bill survives a few years, it will justify an attempt to write its provisions into the constitution.

PUBLIC AND PRIVATE PROVISION FOR SOCIAL SERVICE IN NEW YORK CITY

BY LEROY E. BOWMAN

Columbia University, Chairman Community Division, National Conference of Social Work

Another article in our series on division of responsibility for public welfare between public and private agencies. :: :: :: ::

THERE can be no escape from the ultimate responsibility for social welfare in any city; it rests on the whole body of the citizens and the problem of whose responsibility resolves itself largely into the question of what group or organization representing the whole city is the most practicable and able body to carry the main directing burdens. The chief factors in the decisions seem to be: first, the distribution of wealth, since obviously those with most to spare can and should, and usually want to, give most. Secondly there is the question of the incidence or "spread" of responsibility; the more people there are giving the more fair and equitable will be the distribution of cost. The tax system is the form in which the political organization has worked out present day conceptions of distribution of the cost of social burdens. Hence it is the public agency that is looked to for the responsibilities in social service that are recognized by all as necessary and defensible.

In the third place there is the factor of expert knowledge and the constant discovery of newer and better ways of taking care of the city's unfortunate and inadequate. Those who have the greatest interest, the longest experience and the most detailed knowledge are in the nature of things always the few, the vanguard, and cannot expect to have their ideas followed by the mass of people and the public until time and demonstration have proved their validity to the general population. As a result in social service as in other matters, there is a distinct place for both public and private administration.

HOW MUCH SHOULD BE SPENT?

For the dependent and unfortunate alone there is spent each year in New York city something over $65,000,000. This figure does not take into account provision for health, education and recreation for the normal and self-sufficient families, for whom social service is also becoming a matter of vast proportions. To what extent public and private agencies shall go in the effort to give each person full opportunity for complete expression is a question that is not to be settled quickly, even by the wisest and most experienced social worker. William Jennings Bryan walked unannounced on the sixteenth of May, 1925, into the morning sessions of the Conference on Child Welfare at the Hotel Biltmore and told the delegates from all over the United States that "a child is entitled to everything the world can give it." Three days later, Lawson Purdy, director of the Charity Organization Society of New York city and president of the annual New York City Conference of Charities and Corrections, warned the members of the conference that too great public expendi-

tures for unfortunates and dependents has under certain conditions a tendency to sap the strength of character of the recipients and prepare them for a life of dependency. His attitude toward the amount of money spent for charitable services is shown in these words:

> The ideal way to help people financially is to extend that help as nearly as possible in the way it would be extended by a wise and kindly neighbor who had the financial ability. It may be exceedingly difficult for any public authority to approximate the attitude of the kindly neighbor, but we should not delude ourselves by measuring the value of the service rendered by the amount of money spent. Sometimes the value of service rendered is inversely in proportion to the amount of money spent. There has been a tendency of late to avoid the use of the word "charity" in connection with public expenditures. Let us be careful that we do not make our service less charitable when we drop the word. Charity sums all the virtues of service.

As the city becomes more and more conscious of the needs of its unfortunates; as progress is made in the art of bringing up children; as we realize more and more the requisites of a full life, we become aware of the need for greater provision of the kinds under discussion. Greater amounts of social service are then in a sense but indices of the degree to which men and women are living normal and complete lives. There are values in individual and social existence that are to be gauged only in terms of themselves and like values. Money sufficient to provide for personal and group life on a normal adequate basis must be provided before we can boast of city or national civilization. Too much paternalism, too great beneficence, is as destructive of the values of independence, self-control and co-operation as is niggardliness and neglect.

The question of how much should be spent will never be answered, or rather the answer will always be changing to accord with the changing views as to what is adequate living, how far society is responsible for the individual, to what extent "natural social processes" should be allowed to play, etc.

WHO SHOULD PROVIDE?

There have been and are three main channels for bestowing social welfare: first of course, the private, secondly, volunteer co-operative, and third, government provision. In the first type a few persons, or even one benefactor, give the help that they think is needed. Practically all of the private social agencies are of this kind; they combine usually generosity, ability to bear the financial burdens of welfare aid and appreciation of the values of expert administration. The methods worked out by private agencies sometimes are adopted, in part at least, by co-operating individuals in a neighborhood or a society and a very real social service rendered to the members by the group itself. There are literally hundreds of fraternal, nationality, "town" (composed of immigrants from some one town of Europe), labor, and other groups, which are providing life insurance, burial, sickness, unemployment and other benefits for their members. The greatest degree of this co-operative, non-commercial insurance is to be found among the immigrants who bring with them a more highly developed co-operative tradition than they find in America, although the technique of their procedure appears sometimes inadequate. Lastly, public provision has been made for the needy from the time of the earliest town meetings.

There are general bases of division of responsibility between public and private agencies that are fairly well agreed upon. One of the leading settlement workers, Mrs. V. G. Simkhovitch, has summarized them as follows:

No scientific allocation of functions has so much as been attempted as yet in the field of social work. In general, public provision should be made for those needs which are widespread. Certain costs in connection with these centers should be borne by the tax payers, and certain by the users of facilities. The privately conducted work should be principally a demonstration of what could be done by public agencies, and there is also a growing place for co-operative effort. Undoubtedly, matters relating to public health are receiving better attention than those relating to recreation. It is rightly felt that recreation is, on the whole, a matter to be determined by individual and social choice, while public health, like public education, is an obvious necessity for all citizens in a democracy.

"The private agency sees something that it thinks ought to be done, proceeds to do it, makes it a reasonable success, finds it very expensive, shoves it over on the city"—that is the process as one social service director sees it, and he goes on to say that it is often a practical matter as to what particular service is assumed by the official and what by the private agency. In the matter of health, for example, there has been a great development in the past sixty years. Private charities have done more and more health work and the city has steadily taken over more. Today it would be difficult to establish a rigid principle that would divide kinds or amounts of work between public and private health agencies. Certainly we are in need of all the work that is being done, and the view, the stimulation, the interpretation to the public of both the official and non-official worker is essential.

An excellent general statement on this phase of the question has been made by Bailey B. Burritt, general director of the Association for Improving the Condition of the Poor:

It seems to me that in general older, tried and demonstrated welfare work is the field in which governmental or official agencies have tended to develop their work and that the function of voluntary organizations has been continuously to shape up, experiment with, and sometimes operate over a period of years an activity which subsequently may become a part of the regular official and governmental work. This is one of the most fundamental deciding factors in the allocation of social functions in one or the other of these groups, although it does not account for many individual activities which may now be found in one or the other of these groups that is not easily accounted for on this general principle. At the present time, through the great advance that has been made in medical knowledge, the most conspicuous trend in all social work is emphasis upon health and the prevention of sickness and disease. All kinds of organizations, both public and private, are emphasizing this aspect of their work and largely because the vista of possibilities through advancing science has been so great that it has stimulated all agencies, irrespective of whether they are supported from public or private funds. In this field, there is continuous apparent effort, however, to ascertain how far it may be safe and wise to place the responsibility for health activities upon public authorities. In so far as public authorities have demonstrated their ability to maintain a health organization separated from the cruder aspects of politics, there is shown a desire on the part of all health workers, whether identified with public or private organizations, to transfer these activities more and more to public authorities. It is becoming increasingly clear, however, to all, I think, that progress in this direction is necessarily slow, accompanied by many temporary set-backs, and that meantime much experimenting and operation of actual activities must be carried on by voluntary agencies as supplementary to those that the health department and official authorities of the community have demonstrated their capacity to operate well.

There are legal and traditional determinants that ought to be merely mentioned, such as the general poor law policy of the state which has held the public authorities ultimately responsible for relief but has laid down important qualifications. The state does not allow the city to operate institu-

tions for children, but directs it to send them either to institutions of their own religious faith, or to place them in families of such faith. The state has forbade the city to give outdoor relief, except in the form of widows' pension, largely because of distrust of the ability of the municipality to administer such relief without political bias.

CO-OPERATION BETWEEN PUBLIC AND PRIVATE AGENCIES

Careful thinking has been applied to the relations between public and private agencies in the field of family social work, by Mary Richmond, David Adie, and lately by Miss Gertrude Vaile, chairman of the Committee on Division of Work Between Public and Private Agencies Dealing with Families in Their Homes of the American Association for Organizing Family Social Work. The tentative preliminary report of that committee submits these conclusions, summarily and inadequately quoted here:

1. That ordinarily both public and private agencies for family social work are needed and that they should be entirely distinct and independent of each other with good team work between them. Either alone is unable to bear the full burden of need and insure progress.

a. The public agency alone is unstable and inclined to deteriorate.

b. The private agency alone cannot ordinarily limit its intake and do the intensive experimental work which is a very important contribution which only the private society can make.

2. With the two agencies working separately, division of work must depend upon the quality of work possible in each.

3. That the private society should take cases that primarily involve personality problems calling for especially intensive work, which may or may not extend over a long period; and cases involving experimental treatment.

First applications of young, normally constituted families should go to the private society in the hope that timely and intensive case work may prevent demoralization and establish sound principles of family life.

Cases potentially involving the need of social control such as cases of mental trouble or of marital trouble, may well be the subject of careful conference between the two agencies as to which is in the best position to handle such cases.

AMOUNTS SPENT ON SOCIAL WORK

For the purpose of showing how the money of the New York city taxpayers is being expended, Controller Charles L. Craig has recently prepared an analysis classifying the several activities of the city government into nine general groups and showing the appropriations made for each group and its percentage of the total amount of city appropriations computed. A summary of the analysis follows:

	Sums Spent	Per Cent of Total
Police protection, punishment of crime, maintenance of order, etc.	$50,464,771	13.916
Administration of civil justice	10,890,594	3.003
Dependents and unfortunates	26,369,697	7.272
Health conservation	51,678,351	14.251
Fire protection	25,363,071	6.99
Education and recreation	112,317,947	30.973
Commerce and transportation	57,885,587	15.963
Mayoralty, city government, etc.	27,057,989	7.462
Public markets	602,030	1.660

The New York *Times*, commenting editorially on the above analysis, and comparing it with the analyses made of federal expenditures, drew attention to the fact that the city renders more services that are immediately appreciable than the national government with its large percentages for public debt, army and navy, veteran rehabilitation, etc. The city is closer to the citizen and therefore renders the intimate service. To quote from the editorial:

> If the municipality spends 80 per cent of its taxes on constructive service and the federal government spends only 20 per cent, the reason is found in the division of functions as between local and federal government. Washington spends comparatively little on education because that has been virtually left to the municipalities and states. The cities spend little on army and navy and past wars because that has been left to the nation. As one moves up from municipality to state the proportion of taxes that goes into concrete service diminishes, but is still an impressive total. During the ten years from 1912 to 1922 the state of New York employed 56 per cent of its expenditures constructively. These fields of expenditure comprise education, agriculture, charities and two somewhat mysterious categories described as "curative," which would mean health and hospitals, and "constructive," which would mean presumably highways and the like.

An interesting comparison with this report of public expenditures can be made with a recent study made by the Bureau of Advice and Information of the Charity Organization Society, preliminary accounts of which only have appeared.

The financial reports for the year 1923 of the 414 social service agencies in Manhattan, Brooklyn and the Bronx furnished data upon which the study of the bureau was based. Only local organizations were asked to submit information, and the number includes all of the larger as well as most of the smaller organized charities.

National societies with New York headquarters were not studied and no attempt was made to list fraternal groups or clubs that are primarily social but which have a charity committee to look after the welfare of their own memberships or dispense general relief at festival times. Churches and other institutions whose aim is distinctly religious were omitted. For the purposes of the study the 414 organizations were classified under the headings of child welfare, family welfare and relief, health and medical care, recreation, probation and protective work, general welfare and care of the handicapped and aged. As the classification indicates, New York offers social care beginning just before the cradle and ending just this side of the grave.

Child welfare comes first in the number of agencies represented, but the greatest expenditures were for health work. Health work, preventive and curative, cost the private agencies $19,000,000. Of this, $18,000,000 was for hospital work and $1,000,000 was spent for other health activities. Other large items are approximately $4,000,000 for child welfare, $3,000,000 for family welfare and relief, and $5,000,000 for recreational and settlement work. Although the total expenditures of the 414 private agencies were $38,814,485.67, only a little more than $13,000,000 was received as donations from voluntary contributions throughout the year, which means that the average yearly per capita gift to charity in the three boroughs was about $1.67. The remaining millions came from interest on investments, fees paid by clients (as, for instance, in hospitals) and appropriations from city departments for the care of public charges. Unusual emergencies and seasonal festivities like Christmas and Thanks-

giving, the survey shows, win a ready response from the contributing public, but the steady year-round program working for an improvement in social conditions affecting every resident of the city often goes limping along on an inadequate budget.

Of the budgets of all the agencies studied, 51 per cent was secured through earnings, and only 26 per cent through contributions, a fact that would change a popular misconception at least in part. Public funds provide 7 per cent of the moneys used by private agencies in their work and 14 per cent comes from interest in invested funds. The per cent of the total funds secured through earnings varies greatly from 72 per cent for recreational and educational activities and 64 per cent for hospitals to 7 per cent for protective care and family welfare; likewise the proportion of the sums spent that is derived from donations varies with types of work from 70 per cent for family welfare and 62 per cent for general health to 23 per cent for recreation and education and 17 per cent for hospitals.

It can be seen from the foregoing figures of the controller that the city spends for dependents and unfortunates $26,369,697, and for health conservation $51,678,351. How much of the health conservation item should be included in social service depends on one's point of view and attitude toward the city's bookkeeping. A method somewhat more satisfactory for purposes of comparison would be to lump the city's budget items for public welfare department, board of child welfare, payments to charitable institutions, tenement house department, and commitment of the insane, together with county welfare expenditures and the health department budget giving a total of $60,056,356.31. To this must be added the items in the board of education budget relating to recreation centers, vacation playgrounds, baths, after school athletics, lecturers' fees, school gardens, vacation schools, vacation playgrounds, summer school institutional classes (totaling for 1925, $1,025,140.43), making something over $61,000,000. There are baths and gymnasia provided in the departments of the borough presidents but it is impossible to make any estimate of the proportionate amounts of the total budgets for these items from the material at hand. This combination of items then (and there are many different combinations possible according to viewpoint of the person manipulating the figures) would oppose sixty-one millions of public funds to thirty-nine millions of private funds spent for social service.

THE INCREASE IN WELFARE PROVISION

Lawson Purdy said recently:

> Since the consolidation of the city of New York, the population has increased about 75 per cent while the budget has increased from $93,000,000 to $399,000,000, or about 327 per cent. The value of the dollar has changed and the city is richer actually as well as nominally, but the per capita charge today is greater in proportion to real wealth. In 1899 charities, correction, education and health demanded about 27 per cent of the budget and by 1922, 40 per cent. For the current year we are spending for the unfortunate and dependent, which includes hospitals, charitable institutions, child welfare, and so forth, $24,400,000, exclusive of interest. In round figures this is three times what we spent in 1899.

These figures are taken from the official account of the present city administration of its own achievements and while it is more of a popular than a scientific document, the figures are broadly accurate. The population of New York city at the mid periods of these two eras is estimated at 5,136,706 for July 1, 1914 and 5,751,859 for

July 1, 1921, an increase of 11.9 per cent. There seems to be little relation between it and the increases and decreases in appropriations by the city as totaled in the last two seven year periods.

	Sums Appropriated from Jan. 1, 1911 to Dec. 31, 1917	Sums Appropriated from Jan. 1, 1918 to Dec. 31, 1924	Increase
School building	$36,395,000	$173,865,000	472%
Street cleaning	1,051,000	11,754,000	1018%
Hospitals	15,707,000	12,788,000	19% *
Parks	7,235,000	11,490,000	58%
Roads, streets and public buildings	35,668,000	52,240,000	46%

* Decrease.

For a moment it may be profitable to consider increases of the years 1922, 1924, and 1925. These years are taken at random for the purpose of showing recent tendencies. The items spoken of before of recreational and social nature included in the board of education budget total $949,762.10 for 1922; $1,009,827.93 for 1924; and $1,025,-140.43 for 1925. This gives 1925 an increase of 7.9 per cent in appropriations over 1922, an increase of 1.5 per cent over 1924. The estimated population shows an increase of 7 per cent in 1925 over 1922, and 3.9 per cent over 1924. The appropriation for the board of child welfare increased in 1925 41.9 per cent over that of 1922 and 24.5 per cent over that of 1924. Appropriations for the parole commission show an increase in 1925 of 4.9 per cent over 1922 and 4.4 per cent over 1924. The appropriation for education and recreation for 1925 shows an increase of 7.6 per cent over 1924, 19.2 per cent over 1922; appropriation for health, sanitation and care of dependents shows an increase in 1925 of 7.1 per cent over 1924, of 24 per cent over 1922. The total appropriations of the city for 1925 show an increase of 5.8 per cent over those of 1924, of 10.9 per cent over those of 1922. There seems to be a steady increase in the size of the total appropriations over a period from 1901 to 1925 but as might be expected because of the number of factors involved, especially that of the purchasing power of the dollar, there is but slight relation to the rate of increase in population. When the items of appropriation are segregated there is little relation discoverable between increases or decreases and growth of population or any one factor. Each item must be explained in the light of many conditioning factors.

Charities, correction, education and health have become relatively much more important parts of the city's work and the city's expenditures over a period of fifty or seventy-five years past. This development is paralleled by a like growth in private provision of the same kinds. The two develop *pari passu*, the one experimenting and demonstrating, the other accepting the tried and proven and administering extensively those measures that are of universal importance and elementally recognized. There is no steady progression in the taking over of functions of social service by the city apparently, and many factors enter into the decision of the city to increase its social services. There are no absolute standards or criteria of division, and the matter requires constant adaptation

in a trial and error process, supplemented by the application of all the knowledge the trained social worker can bring to bear and the attention and common sense of the mass of citizens. It is a matter that is affecting vitally their lives and reaching far into their public pocketbook.

STATE SUPERVISION OF MUNICIPAL FINANCE IN NEW JERSEY

BY WYLIE KILPATRICK

State supervision, not accomplished without opposition from "home-rulers," has followed a temperate policy guided by intelligent understanding with gratifying success. :: :: :: :: :: ::

THE New Jersey municipal finance laws constitute a most ambitious and comprehensive attempt to regulate the procedure and in some instances the policy of municipal fiscal administration. The regulatory laws, the initial chapter of which was passed in 1916, have been developed by amendment in succeeding legislative sessions to cover every phase of local finance. Massachusetts, it is true, long preceded New Jersey in requiring the reporting by municipalities of financial data to a state agency and the former's law governing local debt antedated that of New Jersey by three years. North Carolina enacted a well considered law dealing with the finance of local agencies of the state, but its provisions were almost entirely adaptations borrowed from the statute books of New Jersey and Massachusetts.

The New Jersey laws occupy a unique position largely because their provisions were carefully phrased by commissions which drafted the statutes after prolonged investigation. In place of the patchwork of laws on a general subject contained on the usual statutes of a state, a continuity of thought and treatment prevails throughout the New Jersey acts with the result that the provisions in minutiæ dovetail and form a harmonious plan under which municipalities satisfactorily function. Woven in the text of the laws are the "governors" of enforcement, the agencies for checking observance of the legal requirements by periodical auditing and by the supervision of the state department of municipal accounts.

DEPARTMENT OF MUNICIPAL ACCOUNTS

A state agency possessing supervisory powers over local finance is not infrequent in state administration. The scope of the powers granted to this agency, however, is broader in most respects in New Jersey than in any other state which is exercising state control. The work of the state commissioner of municipal accounts extends throughout the administration of the finance laws, either in the mandatory duties imposed on the department or in the advisory aspect of the aid it extends to cities throughout the state. The department of municipal accounts was established by the act of 1918 and its scope broadened by an amendment in 1921. The commissioner of municipal accounts, an office filled since the passage of the creative act by Walter R. Darby, is the head of the department

and is given large discretionary powers in administering the duties of the office. He prescribes the character and scope of the audit required to be made of municipal finance. He specifies the substance and form of the local reports submitted to this office. He prescribes the system of getting up the sinking fund accounts and enforces the regulations for their maintenance and audit. He checks all municipal budgets prior to the adoption of the tax ordinance and requires the insertion of any mandatory items omitted by the drafters of the local budget.

The compulsory requirement for audit [1] of local accounts is uniform throughout the state with the exception that it must be performed annually in all municipalities having an assessed valuation in excess of three million dollars while only a biennial audit is necessary in other municipalities. The novel feature of the New Jersey audit is the employment by municipalities of private auditors licensed by the commissioner of municipal accounts as "Registered Municipal Accountants." In no other state does a similar practice exist, since the procedure elsewhere is for the municipal books to be audited by a field staff on the payroll of the state.

The administrative device of utilizing private auditors for the field work has subjected the department to the criticism that faulty work has been performed by men inexperienced in accounting methods or unfamiliar with state law. The work unfortunately was begun during the war when the great demand for seasoned accountants had depleted the supply of trained men. Municipalities in a number of cases resorted to apprentice or junior accountants who had registered their names with the state office. That abnormal condition has now passed and the localities have access to the services of properly equipped auditors.

The original requirements for registration with the state were weak since any accountant could secure a license by subscribing to a declaration that he was acquainted with the municipal laws of New Jersey and that he would honestly audit the books of any municipality by whom he would be employed. In 1922 the department stiffened the requirement by imposing an examination upon all new applicants for a license or old licensees seeking a renewal of their registration. Familiarity with the laws of New Jersey is tested and the applicant must reveal aptness in working out practical problems in municipal accounting. The number of licensees has now dropped from 250 to 160 and it is significant that in the past year the hurdle of an examination has caused over 100 men to withdraw their applications.

Discretion exists with the municipalities, it must be remembered, as to the choice of any accountant from the list of registered auditors. The practice prevails in a number of cities, as in Trenton, and Newark, of annually retaining the same firm. The "family" accountant has a certain utility by reason of the continuity of his work. The counties and the smaller towns employ a different practice since the larger number of them resort to bidding in hiring an accountant. The annual audit is performed by the man who submits the lowest bid and into the work of auditing goes whatever effort is justified by the price the local commissioners have approved.

Municipal auditing by the staff of the state department is not an unimportant phase of its activities. In 1920 the staff performed twenty audits in lieu of private firms on the request of local bodies. The penalty audit, one

[1] Laws of 1917, Chapter 154, Sects. 3, 4; Laws 1918, Chapter 266, Sects. 3b–c.

imposed on a municipality which has failed to employ an accountant, is done almost exclusively by the state staff.

The promptness with which local officials respond to the call for audits is indicated by the record of 1923 when out of 560 municipalities, 500 had filed audits by May 1, thirty had been exempted from the requirement and for only thirty were warning notices of delay required.

The audits in New Jersey have not disclosed peculation or embezzlement to any alarming extent. The total amount of irregularities uncovered in six years would not exceed $150,000. A recent case of dishonesty disclosed by an audit is an example of the smoothness with which the auditing procedure of the department works in checking local accounts. The audit of the books of the town of Greenwich, county of Gloucester, reveal a shortage of $10,-266.81 at the close of 1922. As the examination twelve months previous had established regularity and accuracy, the period of embezzlement was definitely set in 1922. Personal responsibility was then readily fixed. The amount due from the surety company was determined within three months and the deficit was replaced by payment in April, 1923, of the amount of the shortage and accrued interest.

UNIFORM ACCOUNTS

Power to establish a uniform system of accounting for the municipalities within the state is given the commissioner of municipal accounts.[1] Despite the grant of power no attempt has been made to make mandatory upon municipalities the observance of uniform accounting methods nor is it probable that the commissioner in the near future will make obligatory the uniform use of an accounting system by all municipalities. Prior to last year uniformity of accounts was approached only indirectly by prescribing the requirements of the annual audit. The installation of adequate records was accomplished in a number of cities as a condition necessary to the intelligent checking of the fiscal books. The field staff of auditors by working with city officials has been the agency through which the state department has improved local accounting standards.

In December, 1923, Commissioner Darby issued an "Outline of the Uniform System of Accounts for Municipalities" which included within its covers many explanatory pages for local officials. The handbook, distributed to every local fiscal officer in the state, was prepared with "the effort to keep in mind the need of the municipal official who has had no experience in accounting or even bookkeeping and the development of a system which will be of assistance to such an individual." In order to satisfy conflicting conceptions of methods, the commissioner has wisely departed from strict uniformity by recommending two plans of accounts. One is an adaptation of double entry bookkeeping to municipal needs and the second, known as the "Statement Plan," is designed for the use of cities employing technically qualified accountants. The adoption of either plan is not compulsory. The issuance of the book is another step, the most important one as yet taken, in educating local officials of New Jersey to raise the standard of municipal accounting.

Within sixty days after the end of the fiscal year on December 31, every municipality is required to file with the state department [2] a financial statement of the preceding year. A full record of the fiscal history of the year is contained in the report, receipts be-

[1] Laws of 1917, Chap. 154, Sects. 3 (c).

[2] Laws of 1917, Chap. 155.

ing itemized according to source of revenue and expenditures being classified in detail under budget captions. This document, together with the annual debt statement, contains the primary facts upon which to judge the financial health of the community. The manner in which the statements are collected from 560 municipalities attests to the cordial relations which the state commissioner has developed with local officials. In the first years of the department, thirty to fifty municipalities were delinquent in filing their reports. Resort to court action through the state attorney-general was necessary to compel many to report. By 1922 the number of delinquents had been cut down to fifteen. The following year only four failed to respond and for 1924 not a single municipality failed to file a statement.

No consistent effort has yet been made by the office of municipal accounts to correlate the financial statement with the annual audit. In a number of cases it is true, the accountant who prepares the audit renders the statement. Lack of funds, however, had prevented the state office from checking the financial statement, normally compiled by city officers, against the audit, prepared by an accountant independent of the city hall. Nor has the department insisted upon detailed revision of the statements when later events have shown them to be faulty. These practices can be ascribed solely to lack of an adequate clerical staff. The utility of the statement will be developed logically under a larger appropriation for the department.

Publication of an annual report of comparative municipal statistics is a requirement of state law. In 1917 and 1918, a report was compiled and published. In the following years, the department prepared the report and turned it over to the state printer for publication. Contending that the public demand for the publication did not warrant the expenditure of printing the reports, the state printer returned them disapproved. Despite the popular discussion current in New Jersey over taxation and expenditures, the legislative budget committee has refused to sanction an appropriation to carry out the requirement of the state law for publication. The department of municipal accounts is now in the anomalous position of stringently insisting upon the rendition of fiscal reports by municipalities and being denied the right given it by law, to place before the public a study of the comparative statistics contained in those reports.

CURRENT FINANCING

"The budget is the instrument of control for the year's current revenues and current expenditures" is the statement used in an introductory paragraph of the state budget act.[1] The municipal budget under the New Jersey law is conceived as an instrument for balancing income and expenditure and restricting all payments for current purposes to income currently received. All revenues anticipated for receipt during the current year must be set forth and only by its appropriations can expenditures be made during the period. A certain degree of latitude is allowed municipalities by permitting amendments to the budgets prior to the adoption of the tax ordinance. Participation by the public in budget hearings is permitted, though infrequently exercised in practice, by elaborate requirements for hearings and publication of the preliminary drafts of the budget. The state budget act has undoubtedly succeeded in accomplishing the major purposes of the budget as an accounting

[1] Laws of 1917, Chap. 192; Laws of 1918, Chap. 242.

device. The filing of a copy of the budget with the department of municipal accounts immediately after its approval, but before its adoption by the local governing body, ensures an inspection of its form and content by an examiner familiar with the legal requirements.

Not only does the office scan the budget of every municipality so as to check its conformity with the statutes and its observance of proper form, but the state commissioner has the power and the duty of directing the inclusion in the budget of any mandatory items omitted by the local body. Though this power was granted particularly to insure the appropriation for sinking fund installments, its scope covers deferred charges such as emergency appropriations, interest deficiency items, appropriations to cover over expenditures or to meet deficits.

Six years' work by the state department has acquainted local officials throughout the state with the mandatory requirement so that the actual exercise of the power of altering budgets is reduced to a minimum. In 1923 the commissioner ordered the insertion of fifty items in local budgets, the majority of the changes referring to sinking fund charges. Of the total number, twenty orders were cancelled, since the local officials recognized their errors at an early date. In only a few instances did the local bodies ignore the request of the commissioner and so cause him to direct the county board of taxation to make the required alteration.

From the viewpoint of advanced methods, extended criticism could be made of the budgets in operation in New Jersey cities under the state act. The full possibilities of the budget as a fiscal and policy controlling instrument are hardly approached. A close correlation between accounts of record and the budget is rarely accomplished. Few cities have attempted a classification of income expenditures by object or function. These criticisms must, however, be directed in the main at the local fiscal officers. The state law is designed to be sufficiently elastic to permit the development of better budget technique by local officials. It cannot superimpose elaborate systems upon municipal officials, many of whom are hardly acquainted with the rudiments of double entry bookkeeping.

The laws of 1917 and 1918 sought to end the pernicious practice of municipalities evading the payment of current obligations solely from current income by the device of shifting on to future years and future tax rolls unpaid bills in the form of temporary debt. The commission surveying municipal finance reported that "in 1914, municipalities raised by taxation approximately $52,000,000 for local, county, and state school needs, and not less than $20,000,000 was borrowed to finance requirements in anticipation of the receipt of these revenues." Under the former statutes one form of instrument was used for borrowing against the budget. Notes in anticipation of the collection of taxes to become due was the same form employed to borrow in anticipation of the receipt of tax arrears.

TEMPORARY BORROWING

The two bases for temporary borrowing against the budget were distinguished in the state budget act and the employment of two instruments was authorized. "Tax Anticipation Notes" may be issued in amount equal to fifty per cent of the taxes levied (all other sources of income are excluded) between the date of the adoption of the budget and December 20. The notes must be retired not later than December 31 of the current year. On that

date the city has a second borrowing power, the authority to issue "Tax Revenue Bonds" against unpaid taxes. The bonds have a term not exceeding three years and all receipts of taxes for the year for which the bonds were issued are diverted to the redemption of the bonds. If at the end of the fourth year following the issuance of the bonds any portion of their principal remains unpaid, the municipality must include a sum in the current budget to retire the outstanding amount. These two instruments, providing ample authority for the municipality to secure funds for current expenses, so sharply limit the base against which borrowing may be made and define the time and manner of redemption that the practice of floating debts indefinitely upon future generations of taxpayers is impossible.

The transition to the present methods of collection and disbursement has not been made without loss and waste of money. Municipal budgets in nearly every city are increased by the interest charges, in some cases abnormally large, on these two instruments. With the beginning of the fiscal year on January 1 the city naturally has obligations demanding immediate settlement. The first due date for tax payment, April 1 to June 1, results in the initial payments coming into the city treasury the latter part of April, though the major portion is not paid until the last half of May since taxes are not delinquent until June 1. For the period of the first four months of the year the city must pay bills with borrowed money. The issuance of tax anticipation notes does not end here, for in the fall months the depletion of the treasury requires a second period of dependance upon borrowing up to December 1, when all taxes for the year become delinquent. The interest on tax anticipation notes is a direct result of the state law imposing a tax and budget calender whose dates for tax collecting do not run parallel with tax expenditure.

The amount of tax revenue bonds outstanding indicates the extent of the city's failure to collect revenue during the year in which it is spent. To the extent that arrearages of taxes are collected with interest penalties there is no loss to the city. To the extent that administrative expense for collection is incurred or unpaid taxes are included in later budgets, an actual loss results to the city.

The Pierson Finance Acts with one stroke ended floating debt, as it has long been known, by putting the clamp down on the postponement of paying current obligations. This rough piece of surgery did cut off the debt indefinite in term, but it forced back into the body politic some of the virus it sought to eliminate. Local budgets have bulged by reason of increased interest charges made necessary by continued borrowing to pay current expenses out of money on hand. The annual expense to New Jersey cities of interest payments on anticipation notes is approximately $1,000,000.

Actually, the expensive feature of floating debts, that is, interest payments on loans whose benefits have ceased, find a restatement in the interest charges on tax anticipation and tax revenue notes. A sharp distinction, it must be noted, should be drawn between the evils of the two practices. Anticipation notes and revenue bonds are supported by live assets; floating debts rested upon fictitious assets. The cost of the anticipation note is paid in the year for which it is issued; the expense of the floating debt was paid in future budgets. Only to the extent that the principal of tax revenue bonds must be included in later budgets is there a duplication of the postponed payment of floating indebtedness. In short, the evils of floating debt have

taken a new form, though not so serious a form, in excessive temporary borrowing.

SURPLUS RESERVE ACCOUNT

Though the Pierson Acts contemplate anticipatory borrowing, provision is made for its avoidance by the creation of a surplus reserve account. Into this reserve may be diverted all revenue received in excess of amounts anticipated and all unexpended budget balance. By omitting to appropriate the surplus, or at most only a minor fraction of it, in the annual budgets, the reserve fund can accumulate in the course of a number of years into a municipal revolving fund. Loans without interest may be made from it to the city departments to pay current obligations prior to the receipt of taxes. When the treasury receives tax money, the borrowing from the fund will be replaced.

Interest payments on anticipation notes would reach a much larger total than it does if a number of the cities had not built up a surplus reserve in the manner authorized by the budget act. In the past three years Trenton has not resorted to anticipatory borrowing. For two years the fund of Montclair has been sufficient to dispense with such loans. Newark, having an annual budget of fifteen million dollars, made small anticipatory loans in 1923 costing but $43,000 in interest.

The wisdom of the continuance of these surplus funds has occasioned little if any comment in the state. Though the budget act is fairly detailed in specifying the manner of their administration, the funds are in fact subject to the wish and whim of the city officials currently in power. Additions to the fund are made only by ordinance of the local commissioners. In any year the fund may be depleted by appropriating its principal in the budget for current expenditure. Campaign promises to reduce taxation can be readily met by using the surplus laboriously built up by previous administrations. During election years, candidates for reëlection can easily turn to the fund as an expedient for holding down the tax rate below the level normally necessary.

The administrative device of creating surplus funds is so recent and its extent is so uneven throughout the state that no judgment can be made now as to its utility. The very presence and authorization of the funds is a peculiar side-movement of a state finance program designed to safeguard minutely the custody of all municipal money. Sinking funds prior to the enactment of the Pierson Acts, were continuously the source of troubles since they were not adequately supervised. The same series of finance laws which subject the sinking fund to stringent control carries over to the surplus fund many of the possibilities of mismanagement formerly current in sinking fund administration.

LONG-TERM FINANCE

Fundamental theories underlying the issuance of long-term bonds have not been reduced to exact principles acceptable to state legislators and municipal administrators. Bonds have been issued by municipalities for almost every purpose for which current income is expended. Terms of bonds have extended into a period when the improvement for which the obligation was originally issued was replaced several times. Methods of redemption have varied from an orderly serial retirement to the payment of the principal in one year, the year of maturity.

The New Jersey statutes are based on the principle that the expense of paying for improvements may be spread over a period of years coincident with the life or utility of the improvement.

The act defining the terms for bonds is most carefully drawn and has been a model to legislative draftsmen in other states. Its universal observance has had the invaluable effect of preventing debt redemption from extending into years when the benefit from the improvement has long ceased.

A long experience with municipal sinking funds led to the prohibition in the Pierson Acts [1] of the issuance of sinking fund bonds by municipalities and the requirement that all future issues be confined to serial form. The fundamental trouble of sinking fund bonding was that of administration. Defalcation or the ever present danger of peculation, hazardous character of the official personnel supervising the fund, the doubtful choice of investment of funds, the uncertain calculation of payments into the funds were points on which many of the New Jersey cities had impaired their credit and paid highly in added tax burdens.

Almost invariably the argument is advanced by proponents of serial bonding that the serial bond is the least expensive method of debt redemption. During the discussions before the New Jersey legislature tables were introduced showing the net savings effected by serial over sinking fund bonds. Efficiently administered, the sinking fund bond, in fact, costs exactly the same as the serial bond. Investing the money at the same rate of interest without loss of time in the turnover of investing, ensures annual earnings which place the cost of sinking fund bonds on an even par with serial bonds. Only by the choice of low interest bearing securities as investments or by delay in investing funds does sinking fund bonding become the more expensive method. The experience of several cities in New Jersey and New York show that by skillful investments the earnings of the sinking fund make debt redemption less costly by that method.

Any saving pointed out by advocates of serial bonding aside from loss through sinking fund administration is based on less interest charges resulting from the periodic retirement of serial bonds during the term of the issue. As the installments of the serial bonds mature and are paid off the principal shrinks and interest charges decline. In reality, the saving is solely a result of the shortening of the actual life of the bond. A bond issued in serial form twenty years has, in fact, a life of ten and a half years. The natural result of shortening the life of any bond issue is to decrease the total cost. Proponents of the serial bond have not found a cheaper method of debt redemption; they are favoring merely the contraction of the economic life of bonds below the "face" term for which they are issued.

The test of the actual cost of serial bonding now mandatory by statute is the manner in which the principal is retired during the term of the bond.[2] The normal municipal bond issue for any New Jersey city is the "straight" serial bond, that is, one whose installments are retired in equal annual maturities. The contraction of the larger part of the cost within the early years of the term naturally follows. The municipalities accordingly surrender a striking advantage of the sinking fund bond which ensures that the total annual expense of retiring the bond (principal redemption plus interest) is distributed in equal annual installments. The Pierson laws seek to remedy the disadvantage of the straight serial by permitting the issuance of bonds whose

[1] Laws of 1916, Chap. 252; Laws of 1917, Chap. 240.

[2] A stimulating study of New Jersey serial bonding by Mr. T. D. Zukerman, to whom the writer is indebted, is contained in the Survey of the City of Newark by the New York Bureau of Municipal Research.

maturities are so graded that the later installments in the life of the issue are fifty per cent in excess of the early retirements. This permissive feature, if the option were exercised, would minimize the disadvantage of the straight serial.

NO SERIAL ANNUITY BONDS

Unfortunately, New Jersey does not authorize the issuance of the serial annuity bond which is designed to equalize the burden of redemption. Under the annuity, the annual installments are so computed that the redemption of the principal increases by approximately the same amounts as the interest decreases. Only for bonds of short terms, ten or fifteen years, does the fifty per cent option secure a distribution as equitable as the annuity type. For bonds of longer terms the "fifty per cent graded serial" quite fails to equalize properly the installments. Certainly, the "fifty per cent option serials" is only an expedient which reduces but fails to overcome the disadvantage of the ordinary serial bond. The transition from the sinking fund to the serial bond so widely heralded as embodying a scientific process of redemption, has not been made without serious loss. The framers of the present laws failed to take over the equitable basis of distributing the burden of retiring debt found in the sinking fund method and have permitted a serial bonding which usually makes no pretense at an even annual debt expense and at best only roughly approximates that aim.

The contraction of the heavier portion of the redemption charges during the early years of the term may be expedient for improvements of a quickly wasting character. Improvements of all classes require but little expense for maintenance or repair during the first part of their life. Expendable improvements, such as frame buildings or asphalt streets, quickly pass into a period requiring annually an appreciable expense for upkeep. The heavy debt charges of the earlier years are a natural and necessary counterbalance to the repair costs of the later years.

For a second class of improvements this justification cannot be made. Land purchased for school buildings, the property condemned for street paving will not depreciate normally in the slightest during the life of the bonds. Buildings, water reservoirs and other improvements of a durable construction will require a minimum amount for repair during the later part of the term. If the debt burden is to be distributed in accordance with the benefit conferred during the life of the bond the annuity bond is clearly the type of serial adapted to durable improvements.

The New Jersey law half heartedly recognizes the unjustice of the "straight serial" by providing the optional fifty per cent serial. The option, however, may be exercised either for durable or rapidly expendable improvements. The New Jersey practice would be improved by the extension of the "fifty per cent" option into a serial annuity solely applicable to bonds for durable improvements.

DEBT LIMITS

Limitation upon a municipality's power to expend money for debt service is imposed in the Municipal Bond Act [1] by confining its borrowing capacity rather than limiting its taxing power. A measure of borrowing ability is established beyond which no bonds may be legally issued. The yardstick for measuring borrowing capacity has been worked out with a care unusual in state statutes. Assessed valuation of property, the norm always taken as a basis to judge borrowing ability, has

[1] Laws of 1916, Chap. 252, Laws of 1917, Chap. 240; Laws of 1920, Chap. 108.

been narrowed down to the average of the last three valuations of real property.

The previous realty valuation is obviously an unstable basis since an unjust increase may be made in assessed values in a single year for the sole purpose of gaining greater borrowing capacity. By requiring that an average be taken of the three last valuations undue manipulation of the debt limit by the local governing body is impossible, though the debt margin may be made high by a consistent policy of increasing valuations over a period of years. Personal property is eliminated from the base since its assessment is so uneven throughout the state and it is subject to exemptions varying with amendments to the tax laws.

From the operation of the debt limit certain obligations are entirely exempted. Tax anticipation notes and tax revenue bonds supported by revenues in the process of collection are not included. Special assessments levied against property and not collected, water bonds, public utility obligations up to three per cent of the valuations of utilities are removed from the ban. The amount in the sinking fund is a credit to be applied in determining the net debt.

A less reasonable exemption is the waiver of school bonds up to six per cent of the average assessed valuation. The original text of the law did not remove school bonds from the debt limit. Insistence by representatives of the public schools that educational purposes should be especially favored resulted in the exemption of school bonds up to three per cent of the valuation. The legislature of 1924 enlarged the exemption by removing the debt ban on bonds for school purposes up to six per cent and allowing additional issues up to nine per cent conditional upon a favorable popular referendum.

The satisfactory nature of assessed valuation of realty as the basis for the debt limit is largely conditioned upon the efficiency of assessment procedure. Failure by New Jersey properly to equalize the assessments between taxing districts results, in practice, in a widely varying debt limit throughout the state. The ratio of assessed value to market or actual value differs to a marked degree among municipalities.

PRE-EXISTING SINKING FUNDS

The commission to survey municipal finance found the failure of local sinking fund administration prior to 1916 to consist in:

1. The unscientific provisions of the statutes for annual sinking fund requirements.
2. The lack of proper consideration on the part of public officials for sinking fund obligations.
3. The lack of properly constituted control and supervision over sinking funds.
4. The inefficiency of the administration of sinking funds due to the lack of independence of sinking fund commissions from the governing bodies.

The expansion of municipal sinking funds in New Jersey, over $140,000,000 in bonds being issued from 1906 to 1916, made the protection of the funds and the guarantee of their payment upon maturity a cardinal point in the framing of the new fiscal laws. The legislature of 1917 enacted into law[1] the recommendations of the commission designed to correct the evils pointed out in the above analysis.

Independence of sinking fund administration from the local governing bodies was sought in the creation of commissions a majority of whose members are not connected with the governing board. A commission of five members may be appointed for any sinking fund but a body of this

[1] Laws of 1917, Chap. 212; Laws of 1918, Chap. 243.

size is obligatory where the fund is in excess of $50,000. The executive officer, the chief fiscal officer, and three non-office holding taxpayers named by the governing body form the five member commission. The original act provided for a three member commission, the fiscal officer and two qualified taxpayers, for funds below $50,000. Five years experience with the law revealed difficulty in securing financially trained members for the smaller localities. In 1923 an amendment to the act vested the administration of the sinking fund in one man in the smaller municipalities and school districts. In the former the chief fiscal officer and in the latter the custodian of school funds supervises the sinking fund.

A definite amortization basis was specified as the standard in administering the funds. Many of the previous laws had a fixed requirement for the earning power of the investments differing with individual bonds. Sinking funds, as a result, contained assets which had no relation to the sum which should normally accumulate on an acturial basis to retire the bonds at maturity. Using the sinking fund earnings of 1915 as an index—3.25 per cent to 4.37 per cent—the law set $3\frac{1}{2}$ per cent as the annual cumulative basis for required earnings. The Pierson law does not, and of course, cannot set a maximum earning rate. The $3\frac{1}{2}$ per cent rate is simply a minimum below which the earnings cannot fall legally.

Detailed supervision of local administration of sinking funds is a power vested in the commissioner of municipal accounts. In 1917 he exercised the power given him of requiring a complete valuation of existing assets in funds as of December 31, 1916. The valuation then taken has been used as the basis of computing the annual contributions to the fund. By November 1 of each year the sinking fund commissions send to the commissioner their calculations for the next year. The office of the commissioner checks the calculations and certifies to the local governing body the exact amount which must be inserted in the municipal budget for the ensuing year. The administration of this power has been referred to on previous pages and indicated that any failure by localities to levy sufficient taxes for the sinking fund is due almost entirely to negligence or clerical error.

Serious shortages in many funds at the time of the enactment of the sinking fund act led to the insertion of drastic directions for the rehabilitation of inadequate funds. Until all sinking funds contain amounts which, cumulatively increasing, will amortize their bonds a special tax is levied at the rate of not less than one-fifth of a mill per dollar of assessed valuation.

A comparison between the condition of the sinking funds in 1916 and 1921 for all counties, cities, and towns in the state forms an indicative record of the operation of the sinking fund act during its first five years and is an illuminating example of the efficiency of administrative supervision of municipal finance. The gross deficit of county sinking funds as of December 31, 1916 of $1,675,122.90 was reduced to $594,-140.98 by 1921 while a net deficit of the former date of $952,209.49 was turned into a net surplus in 1921 of $120,732.79. For towns the net deficit was reduced over a third, the exact decrease being from $862,347.08 to $489,681.79. A reduction of over fifty per cent was accomplished in the deficits for cities, the 1916 figure being $3,175,-137.46 and the 1921 amount being $1,421,192.15. For all three classes of municipalities, the net decrease in deficits was over two and a half million dollars.

EFFECTIVE STATE SUPERVISION

The municipal fiscal statutes of New Jersey embody a complete example of regulation of local finance through a state agency possessing mandatory powers. Though centralization was not accomplished without opposition, opinion or prejudice, yet unchecked "local home-rule" has not proven the barrier to state supervision that it has in New England or the South. Accustomed to stringent state regulatory laws, the municipalities were repaid for the rapid transition to state supervision within a three year period. In the main, the regulations have been imposed upon the cities by direct mandate of law. Failure to note the educative work of the department of municipal accounts, however, will result in entirely misleading conclusions. The department has consistently refrained from fully exercising all the optional powers granted it when local officials were unequipped to administer the procedure that would be entailed. Delay in reports or audits have been overlooked. No uniform accounting system has been installed. In short, the wide mandatory and discretionary powers of the department have been moderated by an intelligent understanding of the problems of local officials. The tempered policy and efficient administration of the New Jersey department of municipal accounts is the one best example afforded by any American state of the efficacy of regulating municipal finance through a central state agency.

HARRISBURG'S CITY PLAN

BY DEAN HOFFMAN

Editor, Harrisburg Patriot

Introductory Statement by Dr. J. Horace McFarland. *Nearly twenty-five years ago, Harrisburg began to better her atrociously bad conditions through the use of that expert advice which is now generally included in a city planning report. The opinions of three eminent engineers were obtained, were co-ordinated by the Municipal League of Harrisburg into one statement, and were made the basis of a campaign of education among the people, who were asked to authorize the spending of the full possible limit of bond issue under constitutional restrictions, in order that according to these reports unofficially obtained the water might be filtered, the sewerage system might be revised, the streets might be properly paved, and a real park system might be created.*

The campaign was successful. The loan was voted. Although the plans were wholly unofficial and never were definitely adopted by the city authorities, they were through the continuance of the effort of the Municipal League of Harrisburg quite closely conformed to in respect to the expenditure of the money voted.

The result is municipal history. No city of America has within the last half-century projected and completed so harmonious and concrete a body of civic betterment as has Harrisburg, if its size and resources are taken into account. The effect on the prosperity of the city, on its civic consciousness, and on the nation at large has been notably important. Considered prior to 1900 not a pleasant place to live in, with its typhoid fever

rate fully eight times a decent minimum; with its magnificent river front used as a public dump; with its unpaved streets mere mud-holes; with five park commissioners who managed or unmanaged a total of but 45 acres of parks—Harrisburg had some room to go!

Taking stock of the accomplishments following this then unnamed city planning interference with a bad situation, it is noted that now with filtered water the typhoid rate has sunk below the average minimum; the city has more than eighty miles of well-paved, continually cleaned streets; the sewerage system has been admirably combined into two great intercepting trunks, and the outfalls protected by a sanitary dam in the Susquehanna River which has also provided a beautiful lagoon for park and pleasure purposes. A full thousand acres of park land are owned and reasonably well administered, provoking each year more than two million park visits from the eighty thousand population. The city's water front is unique in all America, and one of the most beautiful in the world. The city's architecture has improved in consequence, and even the somewhat slow-moving state authorities are now sitting in with the thought of doing as well by the state capitol surroundings as the city has done for them about their premises. Better school surroundings are being provided, and better schools are being built. Six times since the first loan was carried, the same sort of educational campaign has convinced the same voters that they ought to continue to provide money for orderly improvements conducted under expert advice.

So Harrisburg has been practicing city planning, but had reached the point where the foresight of the brilliant men who advised her a quarter of a century ago needed following up. It is into this situation that the Swan report enters. The change in form of government to the so-called "commission" ideal interposed by the Clark Act in Pennsylvania some years ago, submits these plans to the judgment of five men plus a city planning commission without much power. Those of us who are deeply interested are exceedingly anxious and very hopeful that another quarter century of progress may be underwritten by continuing the process which has worked so well. We are urging with all reasonable insistence the adoption of the Swan report, which Mr. Hoffman has admirably summarized in the following statement. Fearing that the editor may not say so, I am setting down the fact that Mr. Hoffman is the editor of The Patriot, the newspaper in Harrisburg owned by the Honorable Vance C. McCormick, which has been in the very forefront of all progressive work in the city.

A COMPREHENSIVE survey of traffic and thoroughfare conditions has been completed and turned over to Harrisburg by Herbert S. Swan of New York. In common with all other cities, Harrisburg has become a victim of traffic congestion approaching in some sections of the city a creeping paralysis. A year ago its city planning commission turned to Mr. Swan for suggestions. The answer is a bulky document, chock-full of definite suggestions, many of them conceded to be practical, and laid out in a three-cycle program covering ten years.

Thus far no official action has been had upon the report beyond the acceptance of many of its suggestions by the planning commission and the passing of them on to council in the form of recommendations for immediate adoption.

HARRISBURG A STATE CAPITAL

More than twenty years ago Harrisburg dug itself out of its muddy streets by paving them, banished malaria and typhoid by draining its

Paxton Creek valley marshes and filtering its Susquehanna River water; built a comprehensive sewer system, gave its river front an ornamental river embankment included administratively in the great system of parks and parkways which it established and otherwise improved itself.

With the multiplication of the motor car, the city suffered the pangs of traffic congestion. These were especially painful because of the somewhat peculiar geographical layout. Virtual bisection of the city by the Pennsylvania Railroad has squeezed the business district into a relatively small area. Within this area is Capitol Park with its State House and kindred buildings and parkland which restricts natural expansion. The river on the west checks growth in that direction. A rapidly growing Allison Hill residence section to the east of the railroad pours its traffic into the business district to add further to congestion. In a word the business area is asked to perform the functions of a funnel neck. The results are deplorable.

Mr. Swan reviews the odd conditions, emphasizes the paucity of through streets and then proceeds to make the best of a difficult situation. Like many other cities, Harrisburg pursues the short-sighted policy of permitting generous parking, or rather storage privileges of private vehicles on public streets. After pointing out the obvious fact that cars parked with the curb reduce the width of the street by just that much and showing how additional lines of traffic might be handled with parking abolished, the report recommends that virtually all parking within the congested area be abandoned at once.

Allowance is made for freight deliveries and collections with parking confined to one side of the thoroughfare. Loading and unloading zones on streets are provided for business establishments without alley connections.

TRAFFIC A PROBLEM

As a reminder of earlier days, when it was felt incumbent upon every street car company to operate all its cars through a central square, that custom prevails in Harrisburg. The result is that the densest district is shot full of left-hand trolley turns, dangerous and obstructive to traffic. Instead of having Market Street and Market Square the media of every car route, urban as well as suburban, the report recommends a wide-range rerouting of street car lines. Instead of using the most congested streets as loops, streets on the edge of rather than within the business zone are suggested. It also suggests extension of the runs so that passengers may travel from east to west and north to south without being compelled to change cars in the busiest part of the city and so that the cars themselves can avoid the same thing.

Suburban traffic from west of the Susquehanna River in Harrisburg is handled by a company separate from that serving the city proper, but this West Shore traffic is brought to Market Square, thus compelling the cars on their "out" trip to run against traffic on one of the busiest streets, and so creating a very genuine hazard. The report points out that this practice could be abandoned if the Valley cars, as the West Shore cars are known, could extend their runs through Harrisburg to suburban points on the east and then on the return trip leave the city over a bridge other than that on which they entered.

The report makes it perfectly clear that a very considerable improvement to traffic conditions generally will result if the recommendations with respect to trolley changes are adopted. It carries diagrams showing how the

rerouting could be accomplished in three stages. It also proposed in the interest of speeding up traffic movements that on street cars the "pay-as-you enter" practice be abolished on outbound cars in the business section for the "pay-as-you leave" principle, while the reverse order would apply on inbound cars.

The planner also sees great possibilities for speeding traffic by establishing safety zones for street car passengers on Market and other wide streets, once parking is abolished. Such an arrangement permits other traffic to flow, even if trolley traffic is detained by loading or unloading. This improvement, by the way, has already been instituted.

For the benefit of through traffic, the report recommends more general use of highways which detour the congested district. With all its street restrictions, Harrisburg is fortunately possessed of highways which permit such detours. The report suggests they be more clearly marked by signs and that greater use be made of them.

RAILROAD COMPLICATES MATTERS

In some respects Harrisburg is two cities, one lying west of the railroad; the other, the Hill district, lying east. At many places the railroad right of way represents as many as twenty tracks, at no place fewer than five. It is readily recognized that bridges or subways are much too few between these two sections. In the very center of the city, a magnificent viaduct carries Mulberry Street over the tracks.

A block or two north, a narrow Market Street subway, endeavors to conduct traffic. The subway has been a source of merited public complaint for many years. It is a narrow conduit of two levels with a sharp curve at the half-distance. It frequently is blocked by back-water and has been the scene of endless delays to motor and street-car traffic. Plans are proffered for widening the subway, blocking out the curve and giving it the full width of Market Street.

A second and very logical connection between the Hill and central section of the city is the so-called Second-Paxton Street route. Very generous use of this route is already being made, but the use is limited by the crossing at grade of tracks connecting with a freight station. Solution of this problem has been sought for many years. The report presents four plans by which the tracks can be eliminated and full use made of another great highway east and west.

In Harrisburg as in many other cities many streets are wide enough to accommodate three traffic lanes, but not four. In most of these cases, the recommendation is that side-walk widths be reduced so that the lost street surface can be utilized.

The report also recommends that many streets be widened to almost double their width. These are streets now or soon to be embraced by the business section. In most instances the widening process is to cover a period of years.

It is rather remarkable that it was found necessary to recommend only one new street in the sense of cutting a swath through existing buildings. This was done to give relief to a narrow street which otherwise must handle all the heavy traffic which will pour through Commonwealth Avenue, the one highway reserved for the city through Capitol Park.

Extensions of many streets are recommended. Thus far all the traffic north and south along the river is confined to Front Street, the justly famed "River Drive." Congestion is unavoidable under the circumstances. To dilute this traffic the report suggests extensions of streets lying east so

that five miles north of the city traffic can begin to diverge and use subsidiary highways. Similar suggestions are made for streets in the eastern area of the city. Additional driving bridges to the two already in use are suggested both to the north and the south.

A TEN-YEAR PROGRAM

Numerous and various as are the suggestions, the report does not end without co-ordinating them into a program, one chapter of which shall be set down in 1925; another group from 1925 to 1930 and a third from 1931 to 1935.

For the current year, the suggestion is that the major thoroughfare plan be placed on the city map, new traffic regulations adopted, new parking rules enacted, first stage of trolley rerouting taken, pay-enter and pay-leave system of trolley fare collections established, and a few streets widened.

The next five-year period, under the plan, would include a second stage in trolley rerouting, synchronous traffic control in business section, reconstruction of Market Street subway, elimination of South Second Street grade crossings, more traffic crossings over the railroad and more street widenings.

By 1935, then, the following improvements would have been made: third stage of trolley rerouting, more streets widened and extended, and an additional bridge over the Susquehanna built.

In conclusion the report reduces the situation to dollars and cents with the statement that avoidable congestion today is costing Harrisburg annually $450,000. This sum is calculated on the basis of a 10-hour day, 300 days a year. It does not include any losses from delay at night or on Sundays or holidays. He reduces this amount to show the monthly loss, $57,500; the loss per day, $1,500; and per minute, $2.50. It is pointed out that this represents the interest on $10,000,000 of improvements, and refers only to present conditions. Ten years from now double the loss is predicted, equivalent to interest on more than $20,000,000.

CHIEF ELEMENTS OF CONTROVERSY IN PUBLIC UTILITY RATE MAKING[1]

III. DEPRECIATION PRACTICE AMONG LARGE INDUSTRIAL CORPORATIONS

BY JOHN BAUER

Public Utility Consultant, New York

"Large industrial corporations, with almost negligible exceptions, do recognize the force of depreciation and provide for it systematically and adequately." :: :: :: :: :: :: :: ::

In two previous articles, I discussed the problem whether the *depreciation policy* or the so-called *renewal method* should be used for the purpose of effective public utility regulation. I attempted to show that in determining the cost of service, depreciation provides a more accurate and regular allowance for plant upkeep, and safeguards more systematically the financial stability of the companies and provides directly for the strict maintenance of the investment.[1]

In the present report the purpose is to make a survey of the practice among large industrial corporations, on the assumption that they have adopted the best financial policies and that they may be taken as a guide of what is wise for public utility companies. They have unlimited financial strength and can afford to carry out the policies which have proved to be sound and desirable.

THE COMPANIES SELECTED

For the purpose of this study, only super-corporations have been used. Twenty-two companies were taken from Poor's and Moodys' 1924 volumes on Industrials, which are devoted to corporations not subject to public rate regulation and which exclude all railroads and public utilities.

The basis of selection was the ownership of total assets, as stated in the latest balance sheet, amounting to $200,000,000 or over. The intention was to include all corporations which conformed to this basis, but no minute search was made of the two large volumes, so that possibly a few corporations may have been omitted which should be included. But there were no deliberate omissions and the number is sufficiently large, so that the results cannot be affected by any incidental oversights. Every corporation was taken without discrimination if the total assets come up to the standard, except in the case of groups of affiliated companies, such as the so-called Standard Oil group, where only the principal company was selected. The list, arranged in the order of the total assets, is as follows:

1. American Smelting and Refining Company
2. Transcontinental Oil Company
3. Union Carbide and Carbon Corporation
4. Phelps Dodge Corporation
5. Westinghouse Electric and Manufacturing Co.
6. International Mercantile Marine Company
7. Shell Union Oil Corporation
8. International Harvester Company
9. Youngstown Sheet and Tube Company
10. E. I. DuPont de Nemours & Company

[1] The National Municipal Review, April and May, 1925.

11. United States Rubber Company
12. Gulf Oil Corporation of Pennsylvania
13. Swift and Company
14. General Electric Company
15. Sinclair Consolidated Oil Corporation
16. Anaconda Copper Mining Company
17. Armour and Company
18. Ford Motor Company
19. General Motors Corporation
20. Bethlehem Steel Corporation
21. Standard Oil Company of New Jersey
22. United States Steel Corporation

CHARACTER OF DATA

This is a formidable list of mammoth corporations, and if they are substantially agreed in any important financial and operating policy, it may be safely taken as the practice of the best organized business.

The data obtainable from "Poor's and Moodys'" are not as complete as might be desired, nor as directly comparable, but they nevertheless show conclusively that a liberal *depreciation policy* is the course pursued almost without exception.

The volumes do not make a special treatment of depreciation, but furnish the information in connection with a wide range of other financial and operating data. In some instances, there is a direct statement of depreciation policy, giving the bases on which the allowance is made. In some the charges for depreciation are separately set forth in the income account, but in others they are merged with operating or manufacturing costs without separate reference. In most cases, however, the policy pursued is indicated in the balance sheet, showing that a large depreciation reserve had been accumulated out of previous earnings.

If a depreciation policy is presented, or if an amount for depreciation is separately stated in the income account, or if a reserve is directly or indirectly shown or referred to in the balance sheet, we have sufficient information to prove that the depreciation policy is pursued. But even if there is no reference to depreciation, either as explanatory statement of policy, or in the income account, or in the balance sheet, the depreciation policy may still have been followed, but with the results merged in other figures. In the income account, depreciation might be included in operating costs without segregation, and in the balance sheet the deduction may have been made directly from the property accounts without a separate showing or explanation. If there is no reference to depreciation, the policy is probably not followed systematically, but this is not directly demonstrated to be the case.

STATEMENT OF DEPRECIATION POLICY

Of the twenty-two companies, in only nine cases was there a direct statement explaining the depreciation policy followed. In each of the nine, the charges were based upon the cost of the depreciable property and the expected life of the different classes.

It should be clear that in the thirteen cases for which no statement of policy was made, the absence of such general explanation merely means that the report fails to give the specific basis of computation. In most of the cases, the separate figures in the income account or balance sheet demonstrate that as a fact the depreciation principle has been followed.

CHARGES TO INCOME ACCOUNT

Turning to the income account, we find fourteen cases out of the twenty-two, where separate charges for depreciation are set forth. The allowance in each case is sufficiently large to indicate a liberal policy, making ample provisions to amortize every class of

property during the life time of the different units.

But in the eight cases where no separate charge for depreciation is given in the income account, the allowance in most instances was merged with other operating costs. There is merely the lack of separate showing and not omission of depreciation charges.

TREATMENT IN THE BALANCE SHEET

The most complete indication of the policy pursued appears in the balance sheet, which gives the financial standing of a company at a particular point of time (mostly as of December 31, 1923). The more frequent treatment of depreciation in relation to plant and equipment, is to show the amount of the original cost charged to past operation in a separate *depreciation reserve.* The full original cost of all property used in service is thus shown in the plant and equipment (or property) account, while the amount of such cost already applied to past cost of operation appears in the reserve; so that the property account, less the depreciation reserve, shows the net investment or the remaining property cost applicable to future operation.

A different course, however, may be pursued, giving the same net result. Instead of accumulating past depreciation in an off-setting reserve to be deducted from the property account to show the net investment, the annual depreciation allowance may be credited directly to the property account without a separate showing of reserve. By this method, the property account would itself show the investment (original cost less all accrued depreciation), instead of the original cost as in the more usual procedure. Which particular course is adopted depends upon individual preference, but in either case the fundamental consideration is that all accruing depreciation is first included in operating costs and is then made deductible from the property account (either by way of a reserve or as a direct deduction from the account).

From the above brief analysis, it will appear that past depreciation may be reflected in the balance sheet in one of three ways:

(1) As a depreciation reserve on the credit or liability side of the balance sheet; to show the net investment the amount of the reserve has to be deducted from the property account on the assets side.

(2) As a reserve deducted from the property account on the asset side of the balance sheet; there is first the full cost of the property, then the reserve to be deducted, and finally the net property.

(3) As a prior deduction, where the credits are made directly to property account so that the latter shows the net investment directly without the deduction of reserve; the amount of the aggregate prior deductions may be shown in a foot-note as a statistical record; or there may be no reference whatever to any deduction.

These three methods involve exactly the same basic policy of making depreciation allowance in operating cost and showing net investment (original cost less depreciation) as to the property account. If we find among our twenty-two companies any one of the three courses, we know that the depreciation policy is pursued and not the replacement method. But even where no reference appears to any depreciation, a deduction may nevertheless have been made and the depreciation policy followed.

ANALYSIS OF THE DEDUCTIONS

With the above brief explanations, we may summarize the depreciation

deductions of the twenty-two companies as reflected in the balance sheet.

Of the total number there are seventeen which show definite provisions for accrued depreciation in the balance sheet. Eight show a separate reserve on the liability side (to be deducted from the property account on the asset side); four show a reserve deducted from the property account on the asset side; four give the *net* property figure in the balance sheet, but present in a foot-note the amount of depreciation deducted; and one gives the net property figure after deduction of depreciation without, however, giving the amount either in the balance sheet or the foot-note attached to the balance sheet. Seventeen companies, therefore, show conclusively from their balance sheets that they pursue the depreciation policy.

WITHOUT BALANCE SHEET DEDUCTIONS

There are thus only five companies out of the twenty-two without any direct balance sheet showing of a systematic depreciation allowance. But analysis of the income accounts and stated depreciation bases, show that three of the five nevertheless make regular depreciation provisions, so that at most there are only two companies without depreciation policy. And as to these, there may be merely an absence of sufficient information.

The two companies are: (1) The Transcontinental Oil Company (Vol. II, p. 1833), and (2) Swift and Company (Vol. II, p. 1223). The first has total assets of $221,216,000 with a plant and equipment account of $209,958,000. It presents no statement of policy and presents no figures for depreciation in the income account, balance sheet, or otherwise. Its only reference to depreciation is in the title of a column in the income account "Operating expenses and depreciation of oil stocks." The meaning of this is obscure; it probably refers only to depletion of oil wells and does not include depreciation of plant and equipment. Apparently this company does not pursue the depreciation policy; and yet it may do so by including full charges under the above title and by deducting the amounts directly from the property account without any foot-notes or other explanations.

The second company has total assets of $337,864,000 and a property account of $89,423,000. As in the preceding case it makes no statement of policy and indicates nothing in the income account; but in the balance sheet it gives on the liabilities side $10,819,000 under the title of "General Reserves." The purpose of this reserve is not further explained, but it is hardly adequate to reflect a systematic depreciation allowance; yet it may be intended for this purpose.

The other three companies without indicated balance sheet deductions for depreciation, were: (1) Armour and Company, (2) Westinghouse Electric and Manufacturing Company, and (3) the Ford Motor Company.

The first gives no statement of policy, but it reports a separate charge of $7,972,000 in the income account for depreciation. This demonstrates that the depreciation policy is used and that, therefore, the amounts are directly deducted from the property account without recorded explanation. The second presents a general depreciation policy, with varying rates according to the class of property, averaging 3 per cent per annum for buildings, and 7½ per cent for machine tools. Under the income account it gives an explanatory note that the "factory cost" deducted from "sales" includes "all expenditures for patterns, dies, new small tools and other betterments and extensions also depreciations of prop-

erty and plant." While there is no indicated balance sheet deduction, there can be no doubt that a liberal depreciation policy is followed, and the deduction is made directly from property account without reported explanation.

The third case is the Ford Motor Company, for which the report is extremely meagre because it is a closely held corporation. There is no statement of policy, and no income account at all. There is a summary balance sheet as of February 28, 1923 and 1924. For the latter year there is no indication as to any depreciation deduction. But for 1923, there was a "depreciation and amortization reserve" of $62,576,000 on a total property account (real estate, machinery and equipment) of $140,790,000; or about 44 per cent of accrued depreciation. What happened to this large reserve in 1924 is not explained; it may have been deducted directly from property account or in the summary statement may have been merged with the surplus account. But there can be no doubt that the company has pursued a liberal depreciation policy; and in all likelihood is continuing the same course.

THE RENEWAL POLICY

It is interesting to note that among the companies with a depreciation reserve in the balance sheet, is E. I. Du Pont de Nemours & Company, which states its depreciation policy, but explains that its main purpose is to provide a fund for obsolescence, and that its practice is to charge repairs and renewals to operation and not to the reserve. Its depreciation rates, however, include all permanent assets except real estate, and amount to 3 per cent per annum on buildings and equipment; special equipment 20 per cent; automobiles 30 per cent; auto trucks on a conservative mileage basis; portable magazines on leased lands 10 per cent and permanent 8 per cent; no depreciation on magazines on owned lands, as appreciation on real estate more than offsets depreciation on buildings.

These are fairly liberal rates, and appear strikingly so when coupled with the practice of charging renewals directly to operating expenses. Moreover, it should be observed, the depreciation charges are designed particularly to meet obsolescence, while the public utility companies urge as one of the main reasons against the depreciation policy the alleged difficulty or impossibility of determining obsolescence.

In the income account the company gives no separate figure for depreciation charges, but in the balance sheet it gives a reserve of $17,524,000 as compared with a property account of $111,985,000. But the property account has been built up rapidly in recent years ($65,746,000 in 1919); it would seem, therefore, that the reserve is adequate to meet not only obsolescence but depreciation due to all causes, and that the company should be grouped with those following a conservative depreciation policy.

THE GENERAL ELECTRIC COMPANY

Except for undue length, it would be interesting to analyze the figures of a number of the best known companies to show their extreme care to provide for old property contingencies and to safeguard their investment.

One instance however must be presented—the General Electric Company. It reports total assets of $373,567,000, but a property account (factory plants) of $57,869,000 after deducting reserves $111,618,000; the total property cost is thus $169,487,000 and the reserve amounts to 66 per cent. Besides, however, there is a "General reserve" of $14,447,000; a "Reserve for

pension payments" $2,150,000; and on top of all a free surplus of $82,762,000.

This company pursues the depreciation policy and a general financial course to a degree of conservation which would hardly be urged upon public utility companies. But its connection with public utilities is direct and intimate. It is not only the leading manufacturer of equipment for public utilities, but through its subsidiary the "Electric Bond and Share Company" it finances, controls and manages probably the largest system of electric light and power companies in the world. Whatever position these particular utilities may take on the question of depreciation policy *versus* the renewal method, the ultimately controlling and managing company, which itself is not subject to public regulation, sets a high example of what is right and proper—that there is depreciation and that it should be provided for through charges to operation.

In conclusion, there can be no doubt that the large industrial corporations, with almost negligible exceptions, do recognize the force of depreciation and provide for it systematically and adequately in the charges to operating costs and in their reserves or deductions from property account. We have here the best measure of sound and approved policy established solely through experience in promoting economy and financial stability, and not affected by public regulation where the admission of the idea of depreciation might affect the basis of return to the company.

If, therefore, we are seeking the best established practice, uninfluenced by any conflict between the utilities and the public, we should adopt the depreciation policy of the large industrial corporation and apply it to the utilities.

GOVERNMENTAL RESEARCH CONFERENCE NOTES

EDITED BY ARCH MANDEL

Philadelphia Bureau of Municipal Research.—Clarence G. Shenton of the Philadelphia Bureau has been appointed director of the Thomas Skelton Harrison Municipal Trust. He retains his position as assistant director of the Bureau.

The Harrison Municipal Trust was founded by the will of Thomas Skelton Harrison of Philadelphia, who died in May, 1919. The income from the trust fund is placed at the disposal of seven trustees to be used for certain civic purposes enumerated in the will. Thomas Raeburn White, Esq., is chairman of the trustees.

The trust has been functioning in the civic field for about a year. At present it is interested in three surveys. One is a study of the minor judiciary of Philadelphia; the other has for its purpose ascertaining the extent and number of charitable trusts in the county of Philadelphia; the third is the survey of the municipal court, which is being financed by the Harrison Trust, although the Bureau of Municipal Research is doing the work as its agent.

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Municipal Research Bureau of Cleveland.—Leyton E. Carter, director of the Municipal Research Bureau of Cleveland, has been appointed executive secretary of the Joint Legislative Committee on Economy and Taxation of the 86th General Assembly of Ohio.

This committee was created to undertake a study of the tax system in this state, and ways and means of securing greater economy in the operation of the various governmental units.

Mr. Carter will retain his connection with the Cleveland Research Bureau, but will spend a considerable portion of his time during the next year in supervising the various studies and investigations which the committee will conduct preparatory to making recommendations to the legislature at its next session.

The scope of the committee's powers under the resolution are similar to those given to the well known joint committee on Taxation and Retrenchment of the New York state legislature.

National Institute of Public Administration.—A grant has been received by the National Institute of Public Administration for the purpose of making a study of rural crime control. This will be the second study made by the Institute on this general subject. The first was a study of state police systems, which will appear shortly as a publication of the Macmillan Company under the title of "The State Police; Organization and Administration."

The National Institute of Public Administration has undertaken the publication of a number of studies in public administration. These studies will appear from time to time as the manuscripts are completed. They will deal largely with subjects of a special nature. It is hoped through these studies to present information which will be helpful to public administrators, specialists, students, and others interested in particular phases of public administration.

Paul Studensky, formerly director of the State Bureau of Information of the New Jersey State Chamber of Commerce, has been added to the staff of the National Institute of Public Administration. He is preparing a book on Municipal Pension Systems in the United States.

A study on the Custody of State Funds, by Martin L. Faust, is now in press and will shortly appear. This should be of interest to state and municipal financial officers. Copies may be secured by addressing the National Institute of Public Administration.

The 1925 report of the New York State Joint Legislative Committee on Taxation and Retrenchment is also in press. Luther Gulick, director of the National Institute of Public Administration, served as special counsel to the committee and chief of research staff. The report deals largely with the question of state aid for schools, but also discusses: The growth of state expenses; state aid for highways; distribution of state taxes to localities; the growth and burden of taxation; the distribution of taxes as between real estate and income; sources of municipal revenues; state gasoline tax and other

matters of state and local taxation. Requests for copies should be addressed to Mr. Gerald Casey, State Capitol, Albany, New York.

✤

Taxpayers' League of St. Louis County.—Bob Kerr, who has been a member of the staff of the Taxpayers' League of Duluth since 1922, has severed his connections with the league to enter business with a real estate and building construction firm in Fort Lauderdale, Florida.

An eight hundred thousand dollar bond issue being put up to the voters by the Duluth board of education is being opposed and fought by the Taxpayers' League, because it feels that the board of education has not sufficient facts at its disposal to know how to apply the money to the best advantage. The situation is particularly serious because this eight hundred thousand dollars exhausts the present bonding ability of the school district, and it will be several years before another margin of like amount will be available. A year ago a million and a quarter was voted for school buildings, of which ninety per cent is being spent on high schools. A survey by the Taxpayers' League showed the most urgent need to be elementary school facilities.

✤

Kansas Institute of Public Service.—The Kansas City Public Service Institute has two principal projects under way at the present time. First, it has started a study of county government, and second, it is aiding in the work of the Kansas City Public Improvement Association which is preparing a bond program.

The Kansas City, Kansas, Chamber of Commerce is planning the establishment of a bureau of public efficiency and research, to be operated as a division of the Chamber of Commerce. In a report to the members of the Chamber of Commerce, the committee which is recommending the project reported in part as follows:

> The proposal to create this bureau is to localize, so far as it is practicable to do so, the policies outlined by President Calvin Coolidge to increase the efficiency of government and reduce the tax burden.
>
> There is no other subject which has engaged the attention of so many people since the end of the world war as that of taxes. Every public official, the congress of the United States, the state legislatures, and on down to the smallest political unit, realize the necessity of reducing the tax bill.
>
> Every taxpayer recognizes that he should pay his just share of the cost of conducting government, but he has a right and should know that his money is wisely used.
>
> In approaching the question from a local standpoint, the board of directors of the Chamber of Commerce has suggested that as a means of obtaining accurate and dependable information regarding the expenditure of public funds, a Bureau of Public Efficiency and Research be created, such bureau to be in charge of a committee appointed and approved by the board of directors of the Chamber of Commerce and composed of men capable and of such character and dignity that the public would have absolute confidence in their work. Some of the functions of such a bureau would be:
>
> 1. Employ the services of a trained research director, who would, through constant study of local conditions, develop fact information which would assist the committee in their decisions.
> 2. Continually examine and study the methods employed by our three taxing bodies; namely, the city, the county, and the board of education, and, based on the facts ascertained, recommend to the public officers where economies can and should be effected.
> 3. Study all proposed major public improvements with the view in mind of determining the necessity of such improvements. If the improvements are necessary, a study of cost and the method of financing will be considered, and perhaps through inspection of the work as it progresses the interest of the taxpayer will be properly safeguarded.
> 4. Co-operate with the city, county, and school authorities in the preparation of the annual budgets, and recommend where changes can be made to effect savings and reduce the expenses.
> 5. Study and make reports on the condition of the sinking funds to insure the retirement of bond issues when they become due.
>
> The cost of operating such bureau would be approximately $8,000 for the first year. The Chamber of Commerce budget for this year has been made up and will not permit of financing this work out of the general fund.
>
> The Chamber of Commerce proposes to finance this work by a contribution from each member of approximately $10.00 for each membership held. A vote of the membership on the plan is now being taken.

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Institute for Public Service, New York City.—In the spring of 1925 the director closed his work as chief assistant on the Co-operative and Constructive School Survey of the New York public schools. Several hundred principals and teachers and other officers have been working on different committees named by Superintendent

William J. O'Shea to consider the various findings, facts, and recommendations made by the field surveyors and consultants: L. R. Alderman, formerly of Oregon and Portland, now of U. S. Navy; A. N. Farmer of Wisconsin rural school; Prof. R. H.; Jordan of Cornell; A. L. Weeks, architect-engineer for school buildings; Dean J. W. Withers, New York University; E. A. Fitzpatrick, graduate dean, Marquette University; and S. A. Courtis, Teachers' College, Dayton; also Superintendents Benezet of Manchester, N. H.; Hartwell of Buffalo; Holmes of Mount Vernon; Broome of Philadelphia; Corson of Newark; Payson Smith of Massachusetts; Stetson, of Dayton.

Three separate referenda to thirty thousand teachers and officers brought forth a vast amount of significant data which have been compiled and submitted to committees for study. These referenda related to school high spots, each school by districts and each general subject; low spots also by each school and district; and eliminations from the course of study recommended by teachers and officers. The gap between teaching judgment and supervision judgment was illustrated in one district where of five hundred and ninety-two eliminations urged by teachers and principals, only two were approved by the district superintendent.

As the survey was of the build-as-you-go type, numerous constructive steps were taken during the survey by both business and educational heads. This coming year the Society for Experimental Study of Education is to give its general sessions and several of its section meetings to constructive lessons from the survey.

The Institute has sold its three current topics magazines—*Looseleaf Current Topics*, the *New York City Edition*, and *People and Places in Current Topics*—in order to be free to take up non-partisan, governmental research and publicity work during the ending campaign and perhaps the following one. William C. Blakey, who has been with the Institute since 1919, goes to the new company as promoter of the method of teaching current topics which has been represented in the Institute's publications.

Thus far in the municipal campaign, the institute has put out eight releases entitled "No Matter Who's Elected," one of which, printed in part conspicuously by the *New York Times*, gave the results of eleven answers by out-of-New York governmental researchers to the question whether, as the New York United Republicans had said, New York City's government was now indecent and a "byword of misrule among American municipalities." Among eleven governmental researchers from a distance, two, one in Philadelphia and one in Dayton, stated that their impressions were too indefinite to justify an answer; nine others declared that they did not consider New York's government indecent or a byword of misrule, that in general they would rate it fair in comparison with other cities, and specified departments which they understood to be below and above the average in American cities.

NOTES AND EVENTS

City Manager Koiner Resigns.—C. W. Koiner, manager of Pasadena, California and president of the City Managers' Association, resigned his position on July 1 on a question of principle which involved directly the fundamental basis of the manager form of government. Following the election of four new members of the board of directors, an ordinance was prepared dividing the administrative organization into seven departments placing one member of the council (known locally as the board of directors) in charge of each department. Under this arrangement the manager would have to secure the approval of the appropriate councilman before he could appoint or remove any employe in that councilman's department.

Mr. Koiner believed that this opened the gate to the spoils system and brought about a division of responsibility foreign to the manager plan. He very properly resigned and Pasadena has lost the services of a leader of the profession.

It is unfortunate that the city charter did not provide more specifically for the duties and powers of the manager. Under the old board of directors, the city enjoyed the benefits of the plan in its true form. The board remained a policy determining body; the manager was in charge of administration and was clearly held responsible therefor. But the new board was determined to change this.

JOHN G. STUTZ.

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Career Man as Chief of Police.—William Alden Wiltberger, graduate of the University of California and the Berkeley, Calif., Police School, has been appointed chief of police at Evanston, Ill. The appointment took effect on July 1, 1925.

In making this selection the mayor of Evanston, Charles H. Bartlett, has set a fine example. The mayor started out to find the best man available for the vacancy who had had both theoretical training and practical experience. He consulted with a number of authorities in criminology, police administration and social service. Among these were Dean John H. Wigmore of the Northwestern School of Law, Dr. Herman M. Adler, criminologist of the department of public welfare of the state of Illinois, President Walter Dill Scott of Northwestern University and Joel D. Hunter, general superintendent of the United Charities of Chicago.

After the mayor had decided that Mr. Wiltberger was the best candidate for the position, in order to make his appointment legal two new police ordinances were passed by the city council. One of these defines the duties of the chief of police and the other sets up certain technical requirements for the position.

Mr. Wiltberger studied police problems under Chief August Vollmer of Berkeley. At the University of California he specialized in criminology and took courses in criminal investigation, police administration, hand writing, medico-legal problems.

✻

International Union of Cities.—Paris Congress.—Senator E. Vinck of Belgium visited the United States during July to arouse interest in the Paris Congress and to organize American representation in the union. Harold S. Buttenheim has been placed in charge of arrangements for the American delegation to the congress and following a luncheon given by him in New York a committee has been organized to consider what part we should take in the International Union.

The conference in Paris in September will be held under the auspices of the City of Paris, the Department of the Seine and the French Government. It will be opened in the Hotel de Ville of Paris and will be continued in the Sorbonne. Officials receptions are announced by the government, the department and the city during the weeks' conference (26th of September to 4th of October) where ladies and other visitors accompanying the delegates will be admitted.

An excursion will probably be organized starting from Paris the 4th or 5th of October to visit Lyon and the important electrical exhibition (white coal) at Grenoble.

During the week's conference visits will be organized to places of municipal interest, electrical plants, inexpensive housing blocks and colonies, garden suburbs, bathing pools, etc.

On the agenda of the congress, besides the reports concerning the international and the national unions there are three question of universal interest:

1. Municipal local autonomy.
2. How local authorities can help to solve the housing problem by having a land policy.
3. How have the difficulties of governing metropolitan regions been solved?

It will be the most representative gathering of municipal authorities ever seen in the world.

The International Union of Cities which is too little known in the United States is already functioning in a useful manner. The purposes of the organization are as follows:

1. The frequent organization and direction of international congresses on municipal affairs.
2. The maintenance of a permanent office for research and information on municipal matters throughout the world.
3. The establishment and development thereby of inter-municipal relations which will create a national bond between local authorities and between national associations.

Stephen Child has been representing the United States in the International Union for the past two years. Following Senator Vinck's visit renewed activity resulting in more definite co-operation on our part may be expected.

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Washington, D. C., Held Liable for Failure to Light Its Streets.—The primary duty of a city to maintain its streets in a reasonably safe condition for travel is emphasized in the case of *Berberich* v. *District of Columbia* (not yet reported) recently decided by the District court of appeals. The action was brought to recover damages for the destruction of the plaintiff's automobile which collided with a supporting column of the viaduct of the Baltimore and Ohio Railroad, where it crosses Rhode Island Avenue in the city of Washington. The complaint alleged negligence of the defendant in failing properly to light the under-pass, so as to call the attention of travelers on the road to the existence of the columns. The accident occurred about seven-thirty o'clock on the evening of November 24, 1920. The night was dark with considerable fog and mist, and there was no light to indicate to the plaintiff, traveling westerly, the location of the column, which stood in the direct path of his approach. The driveway, as it nears the column, curves to the north to give clearance to a vehicle, while the street car tracks continue in a straight line south of the obstruction. The plaintiff who was unfamiliar with the situation, was following this track as a guide and crashed into the column, demolishing his car.

The defence based its claim to the immunity of the District upon the familiar doctrine that in establishing street lights a municipality exercises a quasi-judicial or governmental function, and that the non-exercise or error in the exercise of this function is not actionable negligence.[1] The plaintiff rested his case upon the primary obligation imposed upon the municipality to keep its streets in a reasonably safe condition for travel, which principle, since the decision in *Storrs* v. *Utica* (1884), 17 N. Y. 114, has been extended to cover all those cases in which, because of some defect, excavation or obstruction, the placing of lights is in fact necessary to render the street reasonably safe under the unusual conditions. This extended principle applies equally in cases where the duty of guarding or lighting is imposed upon third parties by ordinance or by contract, unless in such a case the state by statute has expressly granted the municipality exemption from liability.

The defence further relied strongly upon the case of *Wolff* v. *District of Columbia* (1904), 196 U. S. 152, an action for damages to a pedestrian stumbling over a stepping stone at the curb, which was not visible because of insufficient lighting; in which case Justice McKenna in his opinion stated that: "The duty of a city to especially illuminate a place where an object is, or to put a policeman on guard by it to warn pedestrians depends upon the object being an unlawful obstruction." This statement, even if limited to pedestrians, was unnecessarily broad and not essential to the decision in the case.

Justice Van Orsdel in his opinion in the instant case, affirming a judgment in favor of the plaintiff, in holding that the District was liable in failing to provide lighting at the place where the accident occurred, used the following words:

It is contended by counsel for the District that the municipality is not charged by law with so maintaining its public highways as to safeguard against all accidents. In other words, it is not an insurer against accidents on the public highways. Stress is laid upon the contention that the viaduct is a lawful structure and that no claim is made that it was a dangerous obstruction

[1] *Randall* v. *Eastern R. R. Co.*, 106 Mass. 267; *Lyons* v. *Cambridge*, 136 Mass. 419; *O'Rourke* v. *Mayor of New York*, 17 App. Div. 349.

in the day time—the complaint being confined to the conditions existing in the night time. While the adoption of a system for lighting the streets is undoubtedly discretionary with the authorities charged with the duty, plaintiff's claim is not grounded upon a defective system; but rather upon a defect in the system at the point where the accident occurred. However perfectly the city at all other points may have been illuminated, it is asserted that at this point of the street the lighting was inadequate as to create a dangerous situation, the maintenance of which amounted to negligence.

It is settled law in this District that the commissioners being charged with the duty of maintaining the streets in proper condition are chargeable with negligence in allowing the streets to become unsafe. Unsafe conditions may result from improper ligoting as well as from defect in the street, and the degree of lighting required will depend upon the existing conditions. In the present case, as clouds and mist settled in wet and damp weather about this viaduct, the District was charged with the duty of meeting this emergency by proper and sufficient lighting facilities. . . . The jury therefor was not required to pass on the number and character of the lights, but from the evidence whether the lighting at the time of the accident was sufficient to make the place reasonably safe.

The language of the court, if limited in its application to the facts of the present case, where an unusual obstruction, lawful but dangerous at night, is erected in a public street, is supported by the great weight of authority. Whether or not the temporary or permanent conditions in the roadway are so dangerous at night that the absence of lights at the given locality will import negligence per se,[1] the failure to provide proper lights to warn the traveler by night against obstructions or excavations in the highway, of which the city has notice, should be evidence to go to the jury upon the question of the negligence of the city authorities in discharging their duty to keep the streets reasonably safe.[2]

C. W. TOOKE.

British Civil Service.—Two significant statements were recently made on the subject of the status of the civil service in England and entered on the pages of the provincial servant known as the Institute of Public Administration. The first statement was made by Professor Keynes, who characterizes civil service past and present and outlines a few possibilities in the following words:

The growth of this sort of problem is making it increasingly important that the civil service should be in the future, as it has been in the past, the flower of the nation. On one point—apparently a detail—I think something really dangerous has been allowed to happen during the period since the war was over. In pre-war the Class 1 examination was one of the alternative careers for the minds of the abler students in the universities of the country. There was a tradition attaching to it, there was a routine about it, so that anyone was easily informed as to the facts, and that Class 1 Examination was instrumental in drawing into the service fully its fair share of the best brains of the country; but for reasons which are well known, since the war there have been virtually no vacancies, and the continuance of that state of affairs over a number of years has broken the tradition. . . .

I am an ordinary resident of the University of Cambridge, and I find that the civil service is no longer one of the things an able young man naturally thinks of. I think it will not be very easy to re-create that tradition; I think it will be most disastrous that it should not be re-created. I should like to impress very strongly upon the responsible heads of the civil service who may be here, that even though it may be going a bit above their establishments for a short time, they might offer for competition at the Class 1 Examination a substantial number of attractive vacancies in the government offices, that there should be ten or a dozen first-class appointments announced as falling vacant in each of the next five years, so that those looking forward to a career of this kind can lay their plans accordingly. If the number of vacancies slowly increases and no particular steps are taken to impress upon young men that there lies a career open for them, there is a great risk of serious interruption to the pre-war tradition connecting the civil service with the source of the best brains in the country, and if that happens the types of administrative problem which you have to consider to-day will not be handled as they should be. The continuity, the flow, from the Universities into the civil service is a matter of the highest importance to the future conduct of the state.

The second statement was made by Viscount Haldane of Cloan he indicates the purposes of the organization of public servants, namely the Institute of Public Administration, as follows:

You will remember that we said at the beginning to ourselves, that we did not wish to make this like a mere organization for looking after the interests of public servants; it was rather to be an educative body which would produce something, find in the state something that would contribute to the strength of the commonwealth, something that would maintain, not only a high, but an increasingly high level. In that sense our work was to be educative, higher degrees reached successively in the training of the mind as a guide to the service of the state. For

[1] *Chicago* v. *Powers*, 42 Ill. 169.

[2] *Williams* v. *Washington* (Ga. 1914), 82 S. E. 656; *Wallace* v. *New Haven* (Conn. 1909), 74 Atl. 886; *Ross* v. *Hoffman* (Kan. 1925), 269 S. W. 679.

that purpose it was plain that, although the professors could not solve our problems, or even help us much by laying down abstract principles, they could yet stimulate us very much by holding up a high ideal in reflection and research, and for that reason at an early stage we decided to seek the counsel of the Universities to try to co-operate with them in training, and to get them to assist us in training specially in administration. Well, that has been done. There was a conference at Oxford last July, which was a fruitful one. There is another coming about at Cambridge before long. We have done work with various of the new Universities and some old ones, with Manchester, with Liverpool, with Leeds, Sheffield, the Newcastle side of Durham, with Edinburgh, with Glasgow, and there more and more it is apparent how this subject of administration and its principles are showing themselves to be a true University subject, and that the activities of the University are beginning, though it may be slowly, to extend to this, as has been the case in regard to London, and as we hope to see them extend all over the country, for our organism is one which we hope will penetrate the national life as the Universities penetrate it now." (Monthly notes-Institute of Public Administration.)

WILLIAM E. MOSHER.

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Home Rule Amendment Declared Void in New York.—Out of a clear sky on July 6 came a decision declaring that the home rule amendment, adopted by the people of New York state in November of 1923, was null and void. More than a year and a half had elapsed since the passage of the enabling act, and at least two hundred local laws had been passed by the more than two score cities in the state, but all of these become at once null and void if this decision is to be sustained. It should be noted in the first place, however, that this is not a final adjudication. The appellate division of the supreme court stands midway between the supreme court, really a court of inferior jurisdiction, and the court of appeals, which is the court of last resort in New York state. Steps have already been taken to bring this case to the higher court, but it is unlikely that that court will render a decision before fall. It should also be borne in mind that this decision was rendered by an unanimous court of five judges, and the court of appeals will certainly be loathe to reverse a decision from such eminent and united authority.

This decision in the case of *Brown* v. *Board of Estimate* involves nothing with regard to the principle of home rule itself. The case turned not on a home rule question, but a constitutional one. The amendment is declared void solely because of an irregularity which the court finds in the procedure by which it was submitted to the people.

In New York state a constitutional amendment, after being passed once by the legislature, is laid over "and referred to the legislature to be chosen at the next general election of senators and shall be published for three months previous to the time of making such choice." After passage by this second legislature, it is submitted to the people.

The home rule amendment of New York state was passed by the legislature for the first time at the 1922 session. At the same time, a minor amendment to the same cities article, which the home rule amendment proposed to displace, was being passed for the second time. The latter merely provided that local bills, which in New York were formerly subject to the well-known "mayor's veto," should be returned "*to the clerk of*" the house in which they originated, rather than to the house itself. This procedural amendment was duly ratified in November, 1922. At the next session in the spring of 1923, the home rule amendment was passed for the second time. It was submitted that fall and ratified by an overwhelming majority. It is admitted that there was no technical irregularity in the passage of the home rule amendment, except that it was not entered *in extenso*, as the court believes it should have been, on the journals, but in this respect it does not differ from any of the other amendments to the New York constitution passed within the last thirty years. It is certainly not unreasonable to suppose that this uninterrupted usage has established a "practical construction."

The bulk of the decision is concerned with a much more elaborate point. In the complicated procedure set forth in the constitution the court discovers the theory that an amendment really comes before the people twice. The first occasion is after its original passage by the legislature. The people are then concerned with the amendment when they elect the new legislators. Their final action comes when the amendment itself is put before them for adoption. The court argues, therefore, that both the procedural amendment and the home rule amendment were before the people in 1922, and that the action of the people in adopting the procedural amendment, in the process of which the whole section in which it was being inserted,

was repeated, the people reaffirmed that entire section. By this action the pending home rule amendment, the court finds, was "abated and deprived of all vitality."

The court admits that this amendment "did not make an extensive change in the constitution," but insists that it was "material." "It was regarded as of sufficient importance to submit to the people for their approval. Nothing contained in the constitution can be regarded as unimportant or unessential." The court goes further and says that "from a constitutional standpoint the situation is no different than it would have been if the section had been changed in its entirety." The result is that the constitution referred to in the enacting clause of the resolution carrying the home rule amendment in 1923, was "an entirely different constitution" from that which existed in 1922. Though this last statement may seem a bit extreme as applied to four words, the point of the court is certainly clear. The court cites numerous authorities but none are in any sense analogous to the situation here presented. They all support the contention, which few would be disposed to challenge, that the court may pass upon the validity of an amendment and that the procedure laid down by a constitution is mandatory in its fullest detail.

The attack upon this decision may follow either of two lines. It may insist that the court is really adding to an already elaborate and difficult amending procedure, a new requirement that is certainly not clearly set forth in the present language, or it may concede the soundness of the corollary derived by the court from its analysis of the intent involved in the double passage through the legislature, but contend that such an intervening amendment must be important and material in order to have such nullifying effect upon a contemporaneously pending amendment.

From the broader, non-legal standpoint, it certainly seems unfortunate that an important reform, concerning which the people had spoken so decisively, should be overset on such a narrow, fine-spun point. If the court of last resort agrees with this decision, it will be at least three years before home rule may be again set in operation in New York state. It is true that the operating during the period of slightly more than a year since the passage of the enacting act has not been conspicuous, but it has been generally good. The cities of the state were just coming to realize their powers and commencing to exercise them when this decision came.

As has been pointed out in several occasions in the Review the New York home rule experiment is important, not merely because of the size of the state and the number of its cities, but also because of the character of the amendment itself. Though there has been some disposition to complain of its vagueness, in many respects it is among the most logical and best thought out in the country. If a long and difficult campaign for its readoption must be undertaken anew, and at the earliest it could not be restored before 1928, at least some lessons may be derived from one year of practical experience.

JOSEPH MCGOLDRICK.

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The Financial Effects of the New York Home Rule Decision.—Whether the decision of the appellate division of the supreme court of New York voiding the home rule amendment will affect the finances of the state and the municipalities, and to what extent, depends not only on whether that decision is upheld by the court of appeals, but also on what grounds this supreme judicial authority bases its concurrence. For, while Justice Burr's opinion, following the argument of Mr. Louis Marshall, stressed the fact that there had been a change in the article affected by the popular approval of another amendment after the legislature had adopted the home rule amendment for the first time, he gave as an additional reason for considering the amendment void "the failure of the senate and assembly to enter the proposed amendments in their journals with the yeas and nays . . . " This he deemed "an essential prerequisite to a valid amendment by the express terms of Section 1 of Article XIV of the constitution, which declared 'and if the same (an amendment proposed in the senate and assembly) shall be agreed to by a majority of the members elected to each of the two houses, such proposed amendment or amendments shall be entered upon their journals, and the yeas and nays taken thereon, and referred to the legislature to be chosen at the next general election of senators.' " He pointed out that this requirement was not complied with by either branch of the legislature.

The attacks on the decision have been centered chiefly upon its narrow technicality because of the comparative triviality of the change in the

wording of the article in question. The financial effects resulting from the decision's being upheld on the principle therein involved, however, will be of slight consequence as compared with those arising from agreement based on the "additional reason." If the former point alone is sustained, only the sinking funds of the state would be affected. They would have to be restored to the extent called for by the methods of computing the annual instalments required by the laws in force under the previous constitutional provisions. Should the latter point be sustained, however, it would apparently void every amendment to the constitution submitted since its adoption in 1894.

The provisions in which we are interested are Article VII, dealing with the bonding power of the state, and Section 10 of Article VIII, dealing with the debt limits of cities. Both have been amended in very important particulars within the last 20 years.

In 1905 Article VII was amended to increase the term of bonds issued by the state from 18 to 50 years. The provision prohibiting the submission of a bond proposal together with a constitutional amendment was abrogated. Another important change was the provision that when the sinking fund became equal to the amount of the debt for which it was created no further direct tax needed to be levied on its account, but the tax might be reduced merely to care for the interest requirements. It was likewise provided that no direct tax need be levied if there was sufficient money in the general treasury to meet interest and sinking fund. Debts for highways not to exceed $50,000,000 at any one time were authorized without submission to the electorate, as is otherwise required. In 1918 bond issues were limited to terms not exceeding the probable life of the work or object for which contracted with a maximum of 50 years, and the issue of serial bonds was made permissive. The Sage Amendment of 1920 made serial bonds mandatory thereafter and gave the comptroller the power to use any available funds to redeem them if the legislature failed to make an appropriation for the purpose. Thereafter sinking fund contributions were to be on a 3 per cent actuarial basis and provision was made for the absorption of the surpluses which had grown up in the sinking funds of the state by a reduction of the instalments and the application of the available amounts to the interest requirements. In 1923 the creation of a debt of $45,000,000 was authorized to permit the payment of bonuses to war veterans.

Article VIII, Section 10, was amended in 1905 to exclude bonds issued for water supply after Jan. 1, 1904, from the computation of the debt limit of New York city. The amendment of 1907 similarly excluded water bonds issued by second class cities and that of 1909 those of the third class. It was in 1909 also that, in order to make possible the building of the dual subway system, there was excluded from the debt limit bonds issued by New York city for self sustaining revenue producing improvements. In 1917 another slight change was made to exclude from the debt limit the water bonds of the other first class cities as well as of New York city.

A reading of this list of important changes is sufficient to indicate the tremendous financial interests involved and the chaos likely to result if they should be rendered null and void. The legality of practically every bond issue of the cities and of the state since 1905 would be called into question. Their fate depends upon how the court of appeals will view the necessity for the proposed amendments being entered on the journals of the senate and assembly after they have been adopted for the first time. Such study as has been possible in the short time available indicates that the legislature has failed to comply with this requirement of the constitution. In the early years the assembly journal carried the text in full, whereas the title only was published in the senate journal. The situation was reversed in the later amendments, the senate journal printing the full text and the assembly journal only the title. As for the bonus amendment, passed in 1922 and 1923, both senate and assembly journals refer to it by title alone.

Should the court of appeals deem this prerequisite so plainly called for by Article XIV of the constitution nonessential, but nevertheless uphold Justice Burr's decision because of the adoption of an intervening amendment, the situation will not be at all serious. The only amendment affected would be the Sage Amendment of 1920, passed under circumstances similar to those surrounding the adoption of the home rule amendment. The changes, indeed, were much more material than those involved in the home rule amendment.

In the main, however, as was seen above, it merely made mandatory what was already permissive, the use of serial bonds. The only pro-

vision affected, therefore, would be that providing for the actuarial calculation of sinking fund instalments and the absorption of the surpluses in the funds, which would thus have to be restored. To determine exactly how much is involved would require considerable analysis and calculation. It can be roughly computed, however, from the fact that the appropriations for debt service dropped from $15,584,817 for the fiscal year 1921 to $11,476,517 for 1922, a decrease of slightly more than $4,000,000 a year or approximately $20,000,000 for the five years which have since elapsed. It may thus be necessary to provide this amount immediately.

The state comptroller's most recent statement indicated a free surplus of $23,280,889 at the close of the last fiscal year. The necessity for transferring the above sum to the sinking funds would reduce this surplus to about three millions. As the appropriations for 1925–1926 are some five million dollars in excess of the estimated revenues for the year, and an even greater deficit is already apparent for the following fiscal year, a search for new sources of additional revenue for the state may be forecast.

T. David Zukerman.

Recent Developments in the Home Rule Case.—Since the two preceding notes were written there have been some interesting developments with reference to the validity of the New York home rule amendment. Immediately after the appellate court overturned the home rule amendment, as noted above, the case was carried to the court of appeals and will be heard early in September. Following this action, the New York State Home Rule Commission announced its discovery of a legislative flaw, which in the opinion of the commission restores the validity of the home rule amendment despite the decision of the appellate division of the supreme court that the legislation is void. The commission asserts that the so-called "clerk's amendment" was itself null and void at the time it was cited to upset the home rule legislation. This contention will be made in the arguments for a reversal before the court of appeals. Awaiting the opinion of this court, the home rule commission urges that the municipalities affected by the overturn of the home rule amendment should proceed as though the amendment was in full force and effect.

Detroit's Ten Year Financial Program.—Mayor John W. Smith of Detroit appointed two bankers and three manufacturers to prepare a "comprehensive financial program for the city for ten years or more." A "researcher" of the Detroit Bureau of Governmental Research was made secretary of the committee. The report of the committee has been presented and is published in *Public Business* of June 15, 1925.

In approaching its task the committee first received from the departments and commissions estimates of the projects which they believe are necessary within the next ten years. It was found that these totaled $780,000,000 not including $108,000,000 of city planning projects and $112,000,000 involved in port development and super highway plans, all of which were excluded from consideration by the committee. The assessed value of Detroit is $2,775,000,000 or less than three times the amount of the grand total of proposed improvements; and the operation and maintenance budget is now some $55,000,000 including present debt service, or something more than interest, to say nothing of retirement, on a bond issue of a billion dollars. This gives some indication of the scope of the combined projects, of the capacity of department heads and commissioners to dream, and of the need of a budget to serve as a wet blanket. It is this that the mayor's committee on the ten year plan has furnished in ample measure.

Over four hundred million dollars was eliminated immediately by the committee's refusal to include in its program the major city planning improvements and the subway project. Over one hundred million more was eliminated by recommending the postponement of certain projects until after the ten year period. These recommendations were based on a study of the various plans and a classification of projects on the basis of their urgency. The total to be financed was thus reduced to $444,991,000 or forty-four and a half million dollars a year for ten years.

The plan of financing this program may be summarized as follows:

Source	*Amount*	*Per Cent*
Departmental revenues	$10,085,000	2.2
Special assessments	63,528,000	14.3
Bonds	273,113,000	61.4
Taxation	98,265,000	22.1
Total	$444,991,000	100.0

This distribution was arrived at in an interesting manner. In the first place it appears that the decision was reached to issue as many bonds as could be sold within the limits of the New York State law restricting the investments of New York savings banks to bonds of cities whose net indebtedness does not exceed 7 per cent of their assessed values. In the second place it was assumed that street openings, etc. could be assessed to the extent indicated without running afowl of the New York 7 per cent Law. In the third place it was estimated that departmental revenues would contribute some ten millions. And finally it was determined that the total tax rate for the regular city budget plus the tax burden due to the new ten year program must not exceed 2 per cent of assessed values. It appears that $444,991,000 can be made available within these restrictions, on the basis of the committee's estimate of future assessed values, and that the expenditure plan was worked out backwards from this point.

This ten year program for Detroit deserves special attention because very few American cities or states have made a serious effort to look ahead and plan their improvements and finances for a decade. It has been said that the failure to make plans of this character is the chief cause of waste and bad management in American government. So far similar plans have been drawn for Newark, N. J., by the New York Bureau of Municipal Research; for Kalamazoo, Mich., by City Manager Freeman; and for Bluefield, W. Va., by City Manager Ridley. And now comes Detroit.

One who examines the Detroit plan from a distance without any great knowledge of Detroit will naturally wish to ask a number of questions which are not covered in the committee's report. Among these are:

1. What population growth does the committee estimate for the next ten years? Nothing is said on this score though it would seem to have some bearing on the growth of the normal expenditures for city services no less than for the extension of improvements. Certainly it is important in the growth of property values.

3. Is not the committee's estimate of the growth of taxable valuations unduly conservative? The increase estimated by the committee is $225,000,000 a year. While this is an 8 per cent increase now, it is but 4 per cent at the end of ten years. And apparently no allowance has been made for the increase due to better assessments which should materialize in a few years if the committee's own recommendations on this point are followed. And where is the increase in property valuation which will follow the committee's ten year improvement program? Or the growth in the city due to the influx of industry in pursuit of the low tax rates provided by the committee?

3. Why is no consideration given to possible changes in the financial system of the city and state which will open up new tax revenues? The important development of the last decade in the industrial states is the establishment of state taxes part of which is returned to the localities. In New York state where this idea has been carried farthest the state is turning back to the localities for schools, highways and general purposes, half of the taxes and revenues which it receives. This plan has been undertaken to relieve real estate and to eliminate taxes on personal property especially of manufacturers, and because the important new taxes cannot be administered efficiently except on a statewide basis. Is there no need of considering such a change in Michigan within the next ten years?

4. Why is 2 per cent so sacred as a tax rate? Ten years ago 2 per cent on a full valuation for city government sent shivers up the spine. But of course ten years ago the city did not begin to do as much for its people as it does now. To what extent will increasing government services, along the lines of the committee's ten year plans, serve to increase the income and wealth of the people and therefore the proportion of their wealth which they can afford to pay in taxes?

LUTHER GULICK.